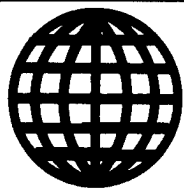
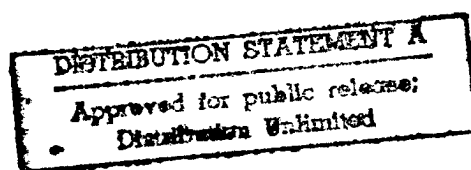


JPRS-EER-90-145  
23 OCTOBER 1990



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# ***JPRS Report***



# **East Europe**

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# East Europe

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## BULGARIA

### Opinion Poll Measures Views on Political, Social Issues

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[Article by Center for the Study of Democracy: "Where Are We Going After the Dark Little Room?"]

[Text] We are submitting to the attention of the readers of KULTURA the second part of the study "Bulgarian Parliamentary Elections—1990" (the first part was published in KULTURA in its 1 June 1990 issue). These are the initial and preliminary results of the study of the postelectoral lineup in our country. The study of public opinion representative for the country took place between 17 and 23 July 1990; 3,093 persons were surveyed. The sociological sounding was sponsored, with the Wirthlin Group (McLean, Virginia) acting as consultant, by Tekhnoekspostroy and Bulgargeomin. Expert assistance was provided by Professor Guy Menard of the university in Nancy, Zhivko Georgiev, and Vladimir Yordanov. Actively participating in the study were Avram Agov, Valeri Goranov, Emiliya Lisichkova, and Tikhomir Bezlov. The political analysis that follows was done by a team from the Center for the Study of Democracy, consisting of the following: Andrey Ivanov, Antonyi Todorov, Blagovest Georgiev, Valentin Mladenov, Valeriy Rusanov, Deyan Kyuranov, Evgeniy Daynov, Emil Georgiev, Inko Razpopov, and Ognyan Shentov.

#### Who Elected the "Elect"

In countries with an established parliamentary tradition, usually the political self-determination after elections coincides with the actual electoral results; should deviations occur, they favor the winners. Bearing in mind the complex psychological relationship between the Bulgarian people and the authorities, there were those who even assumed that, in the answers to such a survey, there will be a percentage of support of the BSP [Bulgarian Socialist Party] that would be quite higher than the actual figure. However, it was precisely the opposite that happened! The people we surveyed claimed that 38 percent of them voted for the BSP and 40 percent for the SDS [Union of Democratic Forces]. What is the reason for the substantial disparity between the officially announced results and the electoral preferences, acknowledged by the surveyed voters one month after the "great mystery of the dark room?" The question is of exceptional importance because, if this sample is representative (which it is), it has become obvious that some people are not telling us everything.

#### Hindsight Voting?

The instinctive answer the "radical-blue" would have given is roughly the following: Finally, we have real proof that the elections were manipulated. However, this answer would be too simple to be true. If anything is sure

about this phenomenon, it is that forgery is not the answer. First, it is difficult to conceive of an organization that, in our state that is falling apart, could carry out secretly such a broad action. Second, the deformation of the proclaimed electoral preferences to the detriment of the BSP comes essentially from Sofia and the big cities, where falsifications are virtually impossible. Consequently, we should seek the reason for said deviation elsewhere.

In this case, we are probably witnessing a characteristic "hindsight vote." In other words, some of those surveyed do not answer the question "For whom did you vote?", but tell us the way they would have voted today. According to the Central Electoral Commission, about 9 percent of the voters did not enter the "dark little room" on 10 and 17 June. Only 2.3 percent of the respondents answered the question "For whom did you vote?" with "I did not vote." The conclusion is that some of those who indeed did not vote now claim to have participated in the elections. This is confirmed also by one of the control questions, which enables us, indirectly, to estimate that the percentage of those who did not vote was about 9, which coincides with the data of the Central Executive Commission.

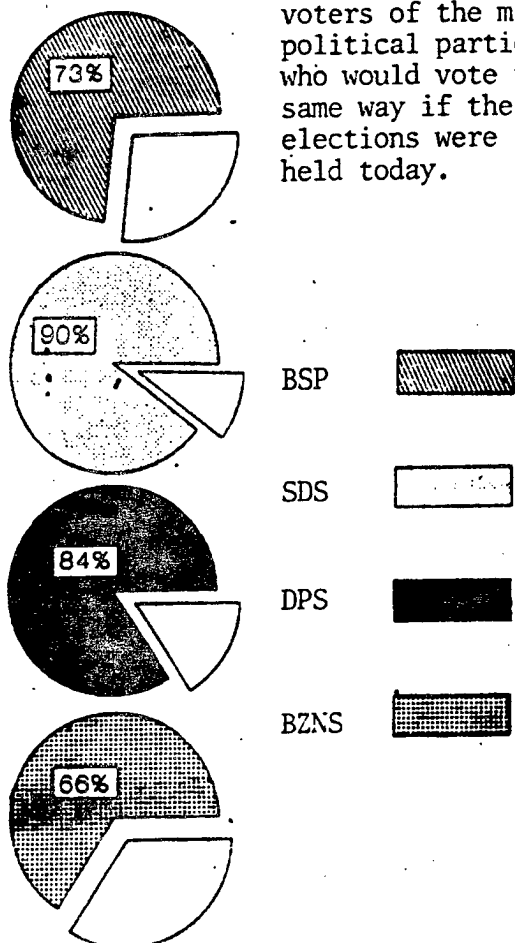
"Hindsight voting" explains the disparity in the figures but does not answer the question of why was a "blue" orientation chosen. It could be assumed that in the course of the elections we witnessed a sudden supermobilization of the electoral potential outside the natural gravity field of the BSP. In addition to everything else, political polarization and preelectoral tension favor the ruling party. Actually, the evaluation of our Center for the Preelectoral Sounding, which was conducted in May (39-44 percent for the BSP in the multiple-mandate districts) proved to be closer to the actual popularity of that party within society than were the electoral results.

The final element that directed the "hindsight vote" in favor of the SDS was the fear syndrome. We established in the course of the preelection survey that political preferences are largely shaped under the influence of fear of "the other person." In a situation in which, after the elections, the opposition assumed the political initiative, naturally conditions are created for concealing a sympathy for the BSP. This is indirectly confirmed by the substantial influence the extraparlimentary policy has on the political situation and on political self-determination. Finally, we should not ignore the disappointment of some of the voters who voted for the BSP, when the staggering breakdown of the economy is contrasting ever more sharply with the calm and encouraging electoral platform of the ruling party.

#### Motivation for Electoral Behavior

The reasons that guided the respondents in their deliberate choice of one political force or another seem quite clear and similar. Nearly one-half of the voters, both favoring the BSP and the SDS, answered that they made their political choice on the basis of agreeing with their

The percentage of voters of the main political parties who would vote the same way if the elections were held today.



programs and ideas. However, the motivations were different. Let us recall the following: Whereas the BSP suggested changes within the limits of the already "familiar" (which it presented in a familiar language), the SDS relied on discontent with that same "familiarity" and on a radical break with it, using new and unaccustomed terminology.

Second in the reasons for the vote was the trust in the leaders. This criterion is considered leading in the motivations of about 25 percent of those who voted for the BSP. Among the SDS electorate, this accounted for no more than 16 percent, which shows a more distanced attitude toward leaders, and confirms the presented differences in the attitudes toward the "familiar." Whereas those who favor the "familiar" naturally trust leaders they know, those who radically break with this "familiarity" establish much weaker links to specific political personalities.

In the case of the other two parliamentary forces, the situation is quite different. Whereas 38 percent of the

supporters of the DPS [Movement for Rights and Freedoms] motivate their choice by trust in the leadership of the movement, in the case of the BZNS [Nikola Petkov Bulgarian National Agrarian Union (United)] voters, this percentage is extremely insignificant. Here the dominant reason is sharing the program and ideas that, in a specific context, could mean loyalty to the agrarian ideals despite a mistrust of the central management of the union.

Differences among the electoral bodies of political forces are found also in the motivation of participating in the elections itself. Among those who voted for the BSP, the largest number of respondents (30 percent) chose the answer "I wanted to support worthy candidates." Those who sympathize with the opposition thought otherwise: The most popular motivation for participation in the elections was personal, the realization of the significance of their individual participation in the political process ("My vote will change something"—31 percent).

Backing these real motivations are two different electorates that are displaying conflicting deviations from the national ratios in terms of age, education, and breakdown by type of settlement. The survey confirms data obtained from other studies, to the effect that the voters for the SDS are significantly younger than those voting for the BSP. For, whereas only 8 percent of those surveyed who voted for the BSP were under 25, those in the same age group who voted for the SDS accounted for 22 percent. Conversely, voters over 60 accounted for 25 percent of supporters of the BSP and only 11 percent of the SDS. As a whole, 55 percent of those who voted for the BSP were over 45, whereas 69 percent of those who voted for the SDS were under 45.

The electoral bodies of the other two parliamentary forces indicate an even clearer age differentiation. It was obvious that people with higher educations had more reasons to be dissatisfied with the "familiar." It is not strange that more than one-half of voters with primary or less than primary educations voted for the BSP, and only one-quarter for the SDS. Among voters with higher educations, 53 percent preferred the SDS and 36 percent the BSP. One-half of the voters with secondary training voted for the SDS and one-third for the BSP.

The educational breakdown of DPS and BZNS voters is quite poor. The agrarian voters have, respectively, 43 percent primary (or lower) and 47 percent secondary training; the respective figures for the DPS were 56 percent and 39 percent.

The conclusion that may be drawn is that the better educated voters, dissatisfied with the "familiar," which they identified with the BSP, were oriented toward something "new"—new values, reciprocal relations, and behavior. It is also clear that this "newness" was unable to attract to a sufficient extent the elderly and the undereducated, who either failed to understand it or rejected it in favor of the "familiar old," presented in the slogans of the BSP as "safety," "tranquillity," and "change without stress."

### Margins of Tolerance

The dynamics of the interrelationship between the electorates of the two main political forces is curious. The legitimacy of the SDS showed a clear increase among supporters of the BSP after the elections, whereas, among the supporters of the opposition, the rejection of the BSP remained on a very high level. In assessing the ability to mobilize the electoral bodies, we come across the familiar structure of "periphery" and the "core" (see KULTURA, 1 June 1990). The irreconcilable "cores" of the supporters of the different political forces become clear through their answers to the question "Which party should not be represented in the Grand National Assembly?" According to 10 percent of the supporters of the BSP, the SDS has no place in parliament; according to nearly one-third of the same electorate, the presence of the DPS is illegitimate. Here again we see a sharp contrast in the case of SDS supporters: According to 40 percent of them, there is no place in parliament for the BSP; according to 17 percent, for the DPS. Questioning the presence of socialists in parliament is clear also among the supporters of the other parties: Twenty percent of DPS voters and 12 percent of BZNS voters believe that the BSP has no place in the National Assembly (respectively 3 percent and 5 percent reject the presence of the SDS).

A comparison of data of mobilization readiness and extent of irreconcilability leads to the significant conclusion that the SDS electorate has an active and effective "core" that is at least 300-or-400-percent larger than that of the BSP. The active core of the BSP ranges between 10 and 15 percent of its supporters, whereas perhaps as many as 50 percent of those voting for the SDS feel like activists. The percentage of the BSP "core" is similar to the one in Western Europe in a peaceful situation, whereas the huge "core" of SDS supporters, in terms of the European scale, is much more accurately consistent with the aggravated political situation in Eastern Europe.

The fact that, on the national level, one-half of all voters believe that there is a parliamentary force (different for different people) that does not belong in the Grand National Assembly is not particularly reassuring. This means that the extent of acceptance of the legitimacy of the results of the elections and of the institutionalized policy are both rather low. Hence, the reasonable prediction that extraparlimentary policies will continue for a long time to exert a substantial influence on the overall development of the political process. It is obviously objectively based, enjoys broad support, and, with an aggravated socioeconomic crisis, could lead to a major anti-institutional social and political blowup.

### Potential for Change of Political Choice

The data indicate that at this time one could hardly expect any radical redirecting of political sympathies unless, naturally, the concealment of a socialist vote is not taken as an indicator of an already accomplished

reorientation. The two main political blocs could confidently rely on the loyalty of most of their current supporters (bearing in mind undeclared socialist sympathies, this proportion may be greater for the SDS and lesser for the BSP). Nonetheless, there is a significant disparity. About one-quarter of the BSP electorate is hesitant about its choice or openly states that, in a new election, it would vote differently. Even among the BSP membership, about 20 percent are either unsure about repeating their choice or would not repeat it.

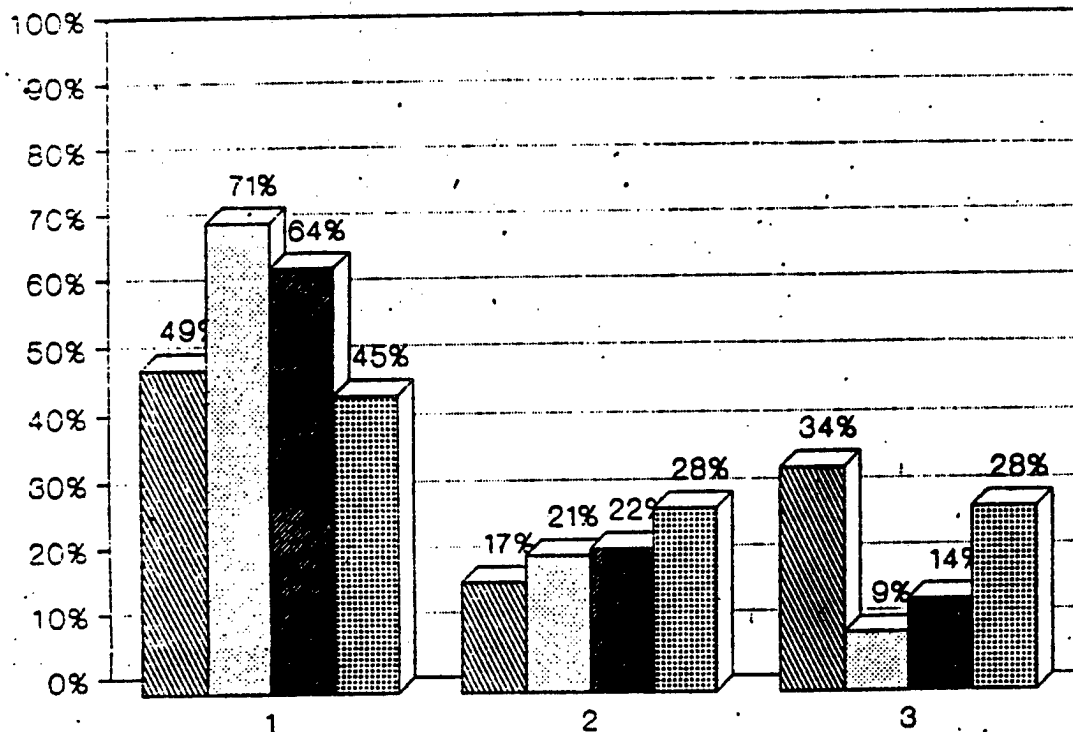
Losing the elections and the postelectoral upsurge of the opposition, it seems, are two powerful factors leading to the consolidation of the otherwise rather variegated and "undisciplined" electorate of the SDS. Nearly 90 percent of the "blue" sympathizers categorically proclaimed their intention to vote again for the opposition alliance in new elections, and only some 3 percent claimed to be disappointed in their choice. In other words, the opposition's electoral body is beginning to look significantly more loyal than the supporters of the ruling party.

The DPS electorate is showing indications of firmness, on a level somewhere between the BSP and the SDS—84 percent of them would repeat their choice (a total of 16 percent are either uncertain or would vote differently). Despite the electoral result, which was very favorable to the DPS, 36 percent of its voters are dissatisfied, believing that "they made a lot of noise but nothing changed." Some 27 percent believe the elections to be a "step for the better." Such dissatisfaction is unlikely to be a manifestation of a statesmanlike, an "above-party," view on the development of events in the country. Rather, we see a deep mistrust in anything related to the Turkish minority. On the other hand, the moderate optimism of DPS supporters hints at a possible future trust in politics as an instrument for the resolution of problems.

It is hardly astonishing that the supporters of the BZNS are extremely dissatisfied with the elections: Only 4 percent believe that the results were beneficial to their party, whereas 46 percent see the elections as "much ado about nothing." This discontent is revealed also in the fact that the agrarian sympathizers are showing the lowest percentage of readiness to confirm their vote in new elections (66 percent), whereas one-third are either uncertain or would vote differently. Bearing in mind the adverse sociological profile of the voters for the Agrarian Union, such data confirm once again the crisis within the BZNS.

### Religious and Ethnic Groups

Our study also aimed at certain aspects of the political behavior of the country's ethnocultural and religious groups. Bulgaria will obviously not be an exception to the pattern already apparent in other East European countries: The elimination of totalitarian suppression of the national feelings of the people leads to a revival of national awareness in large and small communities. This



The percentage of voters of the main political parties who believe that freedom exists when everyone: 1. Can take any desired position as long as it does not violate the law. 2. Has sufficient property that there is no need to beg. 3. Conforms to the interests of the collective.

process is as natural as it naturally creates a threat to a society that has taken the path of democratization.

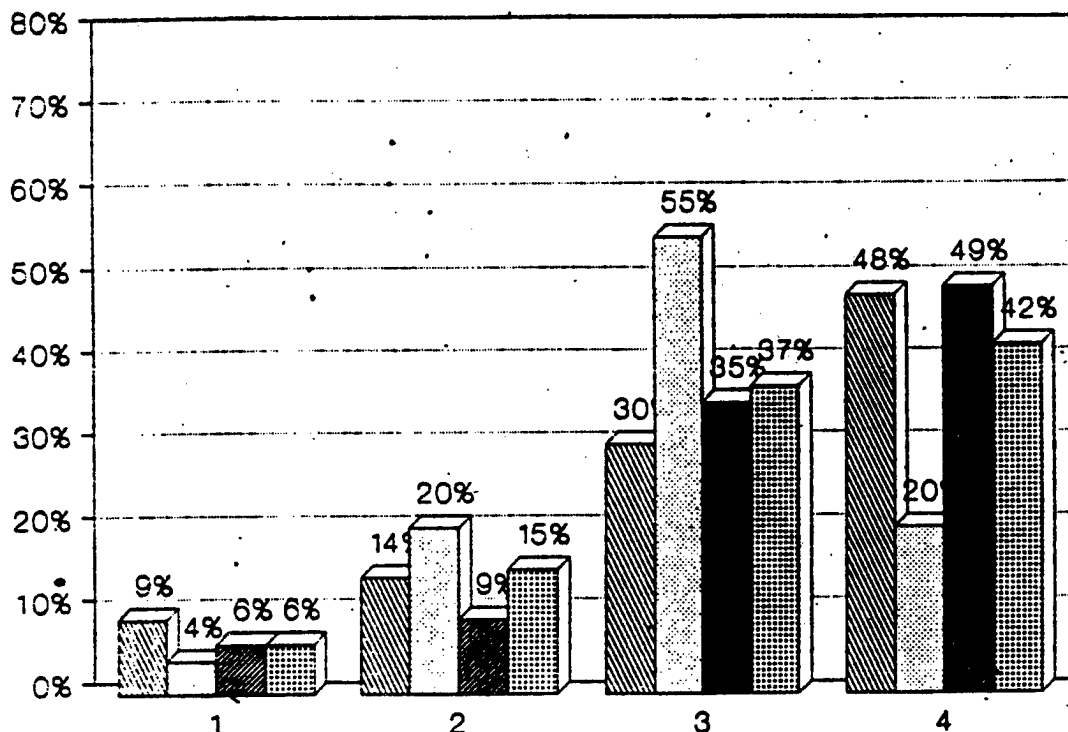
The Bulgarian Turks and the Pomaks [ethnic Bulgarians forcibly converted to Islam by the Ottoman Turks] are represented in our selection in a proportion consistent with their proportion in the country. Nonetheless, we must make the stipulation that the results and conclusions are not definitive because these groups were not the direct purpose of the survey. The survey tried to establish more important features of political behavior and the sympathies of the Turkish and Pomak population in the country under the conditions of an already permanent ethnocultural crisis....

The first surprise was provided by the declared religious affiliations of the groups surveyed. We see a variegated picture among the voters who expressed their affiliation with various ethnocultural minorities—2 percent of the Turkish minority claims to be Eastern Orthodox, 1 percent Roman Catholic, and 18 percent atheist. Among the Pomak ethnocultural group, 4.5 percent claimed to be Eastern Orthodox and 31 percent atheists. This picture violates one long-established stereotype, according

to which Bulgarian Turks and Pomaks are bound to be Muslim.

The population of Turkish and Pomak origin lives mainly in villages (69 percent of the Turks and 64 percent of the Pomaks), and its education is relatively low (61 percent of the Turks have primary or less than primary training, and only 2 percent have university educations). As to their political organization, more than 24 percent of the surveyed Turks and nearly 20 percent of the Pomaks are members of the DPS. DPS activities are approved by 87 percent of the Turks and 74 percent of the Pomaks: They believe that this movement "protects the interests of a great majority of Bulgarian citizens." No more than 3 percent of the Turks and 11 percent of the Pomaks disapprove of the DPS for "serving alien interests."

This indication of the Turkish ethnocultural group and the Pomaks to participate in national political life mainly through the DPS (the only Bulgarian organization that is actually structured on an ethnic basis) indicates a tendency toward ethnopolitical homogenizing. Under certain circumstances, such a trend could



The percentage of voters of the main political parties who believe that justice exists when: 1. There are no super rich people. 2. There are no poor people, but there can be rich people. 3. Within the scope of the law everyone earns money without limitations. 4. There are neither poor nor rich people.

encourage confrontational feelings among the representatives of said groups. These conclusions are indirectly confirmed by two other factors: the attitude of said groups toward the activities of the organization rallying them, and participation in national political organizations such as the BSP and the SDS. More than 64 percent of the Turks are not members of any party, and only 12 percent are members of national political organizations. In the case of the Pomaks, the extent of involvement is higher—29 percent as compared to 51 percent who are not members of any organization. The least organized are the Gypsies; 80 percent of them are not members of anything.

The stated preference for the DPS is rooted in the near and more distant past of the country and is strongly related to the policy the BCP pursued on the national problem. This is also confirmed by the negative attitude displayed toward its heir. The majority of members of these groups mistrust the activities of the BSP, believing that its electoral victory is a prelude to the restoration of the old situation. These feelings are expressed particularly strongly among the Pomaks. It is indicative, however, that the negative attitude toward the BSP does not channel the sympathies of these compatriots of ours

toward its main opponent, the SDS, although the SDS most sharply criticized the policy of the BSP on the national problem.

#### Are There "Macedonians" in Our Country?

One of the purposes of this survey was to answer the following more important questions:

- Is there another national self-awareness among the Eastern Orthodox Slavic population in Pirin Macedonia?
- What are the forms of manifestation and the relative share of the non-Bulgarian national self-awareness?
- What is the attitude of the other ethnic groups on the Macedonian question?

The idea of a distinct national self-awareness of Macedonians was not confirmed through direct statement of national affiliation: Only three individuals among those surveyed (two of them do not live in Pirin Macedonia) consider themselves Macedonians. In other words, the people in Bulgaria who define themselves as "Macedonians" are a statistically insignificant figure. Naturally, we could assume that, because of the fear instilled in the course of decades, the forms of manifestation of this self-awareness were more discreet. Such a form

could be the attitude toward the Ilinden All-Macedonian Organization (OMO), a group that openly supports Macedonianism.

Most of the respondents were unfamiliar with the nature and program of the Ilinden OMO. A significant number of people relate the organization to the uprising by the same name. However, there also were answers such as "My feelings toward it are the same as toward an organization of Shopi" [Sofia Oblast peasants]. This leads to the belief that, in the mass awareness, the Ilinden OMO is conceived not as a political organization built on a national basis but as a regional cultural association.

The activities of the Ilinden OMO are not particularly popular among Bulgarian voters because only 9 percent approve of its activities. A comparison with the results of the special test of liberalism versus conservatism indicates that the approval of the activities of the Ilinden OMO is in step with the liberal type of thinking—that is, it is the result of a more liberated attitude toward all social organizations.

A much more favorable attitude toward the Ilinden OMO is displayed by the ethnic and religious minorities in the country, displaying the same or lower degree of information.

**Attitude Toward the Ilinden OMO**

	Approve	Disapprove	Indifferent or Unfamiliar
Bulgarians	8%	38%	54%
Turks	15%	9%	76%
Bulgarian Muslims	24%	21%	47%
Other	33%	11%	56%

It is interesting to note that, among the three surveyed people who expressed their Macedonian affiliation, two approve and one disapproves of the Ilinden OMO; two approve the activities of the National Committee for the Defense of National Interests (OKZNI) and one was indifferent.

#### **What Did the Survey in Pirin Macedonia Itself Indicate?**

A representative study of this area showed the following ethnic ratios: 81 percent declared themselves Bulgarians; 4 percent Turks; 10 percent Pomaks; 3 percent Gypsies; 1 percent Wallachians; and 0.3 percent Macedonians. Of this population, 77 percent are Eastern Orthodox, 5 percent profess another Christian faith, and 18 percent are Muslim. The people (in our survey, one person) with a Macedonian national self-awareness are a statistically insignificant number.

Clearly, as a result of the geographic proximity of the source of dissemination of Macedonianism, as well as the policy of the BCP on the Macedonian problem in

terms of the second indicator—the attitude toward the Ilinden OMO—the results were somewhat different. Among the surveyed population in the area, 18 percent approved of OMO activities, 32 percent disapproved, 12 percent were indifferent, and 37 percent were unfamiliar with them. For the sake of comparison, the national average was 9 percent approving and 34 percent disapproving. Also somewhat different in Pirin Macedonia are data indicating the attitude toward other organizations structured on an ethnic basis. The activities of the DPS were approved by 24 percent of the respondents and disapproved by 46 percent (as compared with 19 percent as against 50 percent for the country). In the attitude toward the OKZNI, approval is slightly higher—28 percent—as compared with a 26-percent national average.

The relatively higher percentage of approval of the activities of the Ilinden OMO in Pirin Macedonia is due to the greater strength of minority groups in the area: 18 percent, as against 9 percent for the country. A recomputation of the data shows that the percentage of approval of the Ilinden OMO in Pirin Macedonia is lower but, nonetheless, remains above the national average; it is about 12 percent. The 20-percent non-Bulgarian population in Pirin Macedonia accounts for about 5 percent of those who approve of the Ilinden OMO.

The conclusion is that the Ilinden organization is supported, on the one hand, in a negative fashion because there is no particular interest in its activities and ideology among the country's population; it is supported positively by another because some minority groups approve of its activities by virtue of already developed reflexes and stereotypes of political behavior.

#### **What We Fear and What We Rely On**

The emphasized polarization of the electorate supporting the main political forces declines the moment we abandon politics and ideology and enter the areas of economics and daily life. This is accompanied also by not particularly optimistic views concerning the future. Such views clearly dominate: About one-third of the people believe that, after the elections for the Grand National Assembly, we shall live "better," whereas 47 percent believe that "we shall live less well" or that there will be "no change." Noteworthy is the small number of persons who have no opinion on this matter—about 16 percent.

The view on the immediate future is strongly influenced by the subjective social status—that is, the opinion of the people as to how they live today. It is normal for those who consider their social situation "good" to be more optimistic compared to those who believe that their life is "tolerable" or "poor." Thus, for example, the share of the people who assess their own status as "good" and expect to live "better" is 30 percent higher than that of people with the same optimistic view but whose social status is subjectively low.



Not each worsening of the material situation is perceived identically by the respondents, even if it is consistent with the decisions of the party they support. The majority of them—53 percent—would accept a worsening “only if it is for a short time and leads to something better.” Some 28 percent support the firm stipulation that “difficulties must be shared equally by all.” Regardless of social differentiation that, quite naturally, leads to differences in the social optimism of the respondents, the latter tend to make a sober assessment of the condition in which the country finds itself: The predominant majority (64 percent) thinks that one cannot do without “tightening one’s belt.”

The respondents are not so categorical concerning the other inevitable consequences of the economic crisis. They agree that the following would be inescapable: unemployment, no more than 40 percent; price increases, 44 percent; scarcity of goods, 30 percent; rationing, 44 percent; penetration of foreign capital, 52 percent; rich and poor, 31 percent; returning the land to their former owners, 44 percent; privatization of plants, 33 percent.

Regardless of the political polarization before and after the elections, the voters do not share a single view as to the way in which the country could come out of the crisis. The respondents were asked to indicate what they considered the most radical means of reaching a favorable solution. They preferred means such as “putting an end to meetings and strikes” (38 percent), “replacing incompetent with decent people” (32 percent), and “changing the regime” (10 percent). It is noteworthy that the percentage of people who rely on the freedom of private initiative and Western help is relatively small, respectively 8 and 3 percent.

The weakened polarity among blocs becomes even clearer in the case of the attitude toward the negative aspects of the process of resolving the economic crisis. Over 60 percent of both electorates are against allowing a lack of commodities to develop; about one-half reject price increases and more than one-half would accept a rationing system.

In a number of areas (some of them strongly ideologized and, consequently, essentially duplicating the political polarization), the SDS has been able to convince its supporters of the justice of the ideas it promotes. For example, more than 60 percent of its voters believe that unemployment is inevitable, whereas, again, over 60 percent of the Socialist voters consider it inadmissible; more than 70 percent of the supporters of the BSP are against allowing strikes and meetings in order to come out of the crisis, whereas, again, over 70 percent of the “blue” voters clearly believe that they are inevitable; some 70 percent of BSP supporters are against returning the land to their former owners, whereas more than three-quarters of the supporters of the opposition consider this an element of the solution; nearly one-half of BSP supporters consider inadmissible the penetration of foreign capital (although the balance accept it), whereas

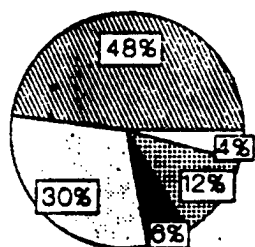
83 percent of SDS supporters believe that the solution is impossible without it. The most interesting are the answers to two “ideologically loaded” questions: should there be “poor and rich,” and should “plants become privately owned.” Emphatic differences exist in answer to the first question: Three-quarters of the BSP electorate do not accept such a division, whereas more than one-half of those who voted for the SDS believe that this would be inevitable. The greatest disparity was in answers to the second question: More than 80 percent of the Socialists are against “private plants,” whereas two-thirds of SDS voters believe that no solution is possible without them.

Age and education have a clear influence on the views as to the most efficient ways of resolving the crisis. The young, those under 25, and the 26-to-45 group tend to see as the solution of the crisis, above all, getting rid of incompetent managers (37 percent for both age groups), followed by putting an end to strikes and demonstrations (24 and 34 percent, respectively). The older people, 45 and over, believe that the way to resolve the crisis lies mostly in abandoning strikes and meetings (46 percent for the 45-to-60-year group and 56 percent for people over 60). Everything seems to indicate that the line of demarcation relative to such a crucial problem for our society divides the people on the basis of age: those under and those over 45. Those who are 45 are in the middle. It is no accident that that generation found itself the most affected by the inevitable restructuring of the entire social system. From the psychological viewpoint, it is justified to consider the change as a fiasco of their long years of striving toward personal accomplishments under the previous system.

The attitude toward problems of social justice also presents a dynamic picture of stratification by age, education, and political predilection. Essentially, this picture indicates the division of society into two main blocs: About 42 percent of the respondents chose the option that justice means that everyone could earn without restrictions, within the law, which raises the question of the established concept of the collectivistic views of the Bulgarian people. A roughly identical share of people favor the more traditional variant, relating justice to the lack of “rich-poor.”

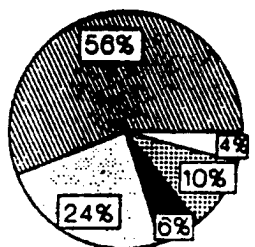
The correlation between the two options is influenced by the age, education, and political structure of the electoral body. In terms of age, the individualistic preferences are concentrated in the young and active age groups; equalitarian answers increase with age, and the rejection of social differentiation exceeded two-thirds of the views expressed by people over 60. The same may be noted on the basis of education: The higher the education the more equalitarian answers disappear and individualistic ones increase.

The concept of social justice remains virtually unaffected by party affiliation. This is not the case, however, in the study of the connection between the concept of freedom and party affiliation. The aspiration to personal



The percentage of voters of the main political parties who believe that the following should not be permitted:

1. Unemployment
2. Privatization of factories



freedom, understood as the freedom of individual actions as long as it does not affect the interests of others, clearly predominates over the values of collectivism. However, the BSP electorate supports the more traditional (collectivistic) concept of freedom, whereas the supporters of the SDS support the individualistic variety. Why does party affiliation influence the concept of freedom but not that of social justice? A possible explanation may be found in the nature of the electoral campaign waged by the SDS, in which the emphasis was on freedom: freedom to mark the demarcation between the past and the immediate future. The attitude toward social justice was different. For a number of reasons this topic was not raised very frequently, for which reason its populist interpretation may be found among the supporters of both the SDS and the BSP.

In the light of the paradoxical political development that followed the elections, when officially the losers assumed the political initiative, the question of the mobilizing capabilities of the various political formations is of decisive significance. Twenty percent of the BSP sympathizers stated that they participated in mass actions before the elections, and only 6 percent after them. The sharp drop in activeness confirms the relatively passive and inertial nature of the support given the BSP. Activeness among SDS supporters declined as well, but we are dealing with different levels: Before the elections, more than 40 percent of the surveyed "blues" participated in mass actions, as compared to 25 percent after the elections.

The extent of orientation toward nonparliamentary political actions becomes clear through the answers to the question of where the political struggle should be waged. Only 19 percent of SDS supporters believe that politics should be "locked" within the premises of the

National Assembly, 6 percent firmly support political action exclusively outside parliament, and 75 percent support the combination of "street" and parliamentary politics. This confirms the comments that became widespread after the elections, according to which the BSP enjoys passive support and not an electorate that could be mobilized to support the policy of its party in a situation marked by a sharp political struggle. Perhaps feeling that the civil society was usurped by the institutional mechanisms, the supporters of the SDS are more strongly oriented toward noninstitutionalized political action. This, combined with a weak tendency to follow the leaders, partially explains the establishment of a "street" opposition, independent of SDS structures.

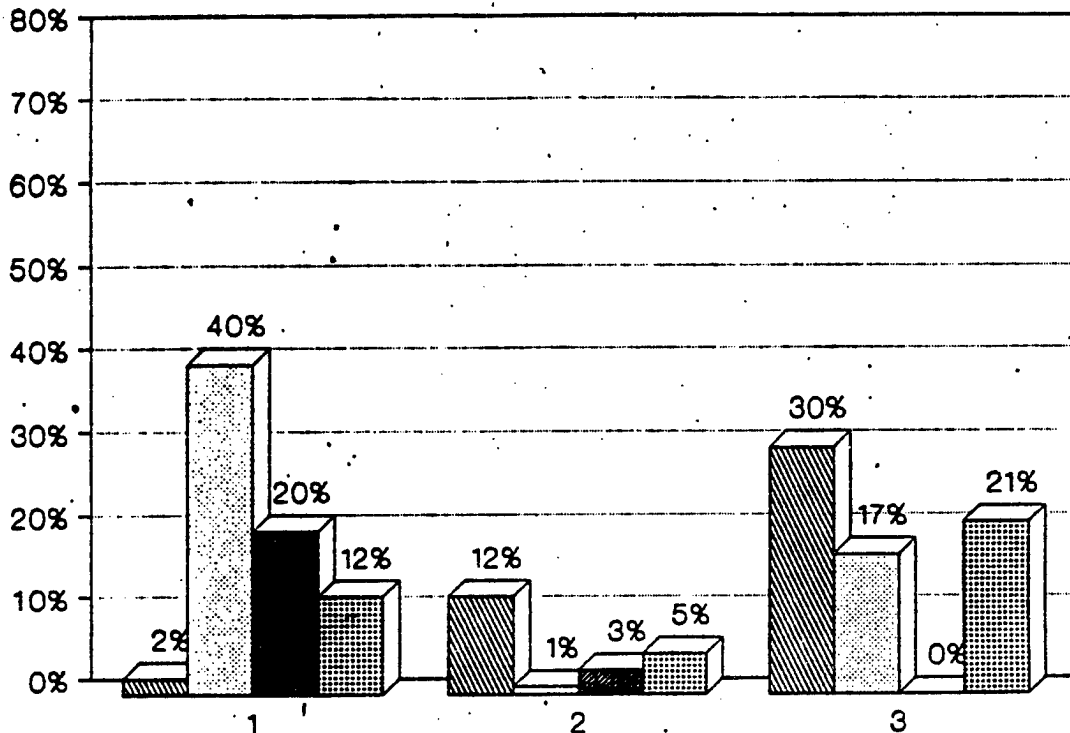
All of this may also be found in the attitude toward the legitimacy of the decisions imposed upon the authorities by the street. The legitimacy is acknowledged by more than one-half of SDS voters, whereas 66 percent of BSP voters categorically reject the legitimacy of such decisions. The direct readiness for personal participation in imposing street decisions reveals the same differences—67 percent of SDS sympathizers would participate in such an action as compared with no more than 18 percent for the BSP. Differences in mobilization potential for extraparlimentary politics reflect, to a certain extent, the overall assessment of electoral results. Obviously, dissatisfaction with electoral results strongly stimulated extraparlimentary political activities of SDS supporters.

Significant differences may also be found in the views on the role of the opposition in the Grand National Assembly. Whereas 56 percent of BSP supporters believe that the role of the opposition is to "help the government," 65 percent of voters supporting the opposition demand of their representatives "to be the people's voice in parliament." The preference given to this answer, compared with "to criticize the government," once again emphasizes that the opposition does not believe that its politics should remain within the assembly hall: In the view of the opposition, "within" and "outside" parliament blend within a single and indivisible political space.

### Geopolitical Projections

What is the attitude of the Bulgarians toward the outside world and processes occurring in global politics and economics? No more than a small percentage of the questions asked in the survey dealt with foreign problems. Therefore, this analysis, here as well, will not claim to be providing an exhaustive and overall assessment of foreign policy orientations.

In general, the attitude of the Bulgarian people toward the outside world is a traumatic problem, burdened by the national complexes of the past and the present social crisis in the country and in Eastern Europe. We must conclude that, viewed from the geopolitical angle, once again, as 45 years ago, Bulgaria is forced, largely under



The percentage of voters of the main political parties who believe that there is no place in the Grand National Assembly for: 1. The BSP, 2. The SDS, 3. The DPS.

the influence of external factors, to change the direction and model of its social development.

The results of the survey indicate a general amorphousness and a lack of distinctions within the foreign policy awareness of the Bulgarians. This fact is consistent, on the one hand, with our traditional alienation from the dynamics of global processes and, on the other, the inadequate and strongly ideologized concept of the nature and trends of these processes. This hinders the evaluation of foreign policy classifications along the "traditional-contemporary" axis. In any case, the former ideologized foreign policy orientations, which were based on the bipolar dynamics of international relations and "bloc" concepts concerning our place in the world, are losing their primacy. Only 14 percent of the respondents wanted Bulgaria to maintain relations mainly with the Soviet Union, and 2 percent with the members of the former East Bloc. What dominates is a more pragmatic, de-ideologized approach to Bulgaria's international ties—57 percent preferred the development of relations with all countries with which this would be beneficial. Obviously, this also includes ties to the Soviet Union but outside the logic of the notorious "single blood circulation system."

With the breakdown of the bipolar structure of the international community, the Bulgarian people are

beginning to realize that their fatherland is an independent country with its own specific national and state interests, which do not coincide with the interests of its allies in the Warsaw Pact. To the question *is there a country that threatens us*, 31 percent answered no, 30 percent found it difficult to answer, and 39 percent believe that such a country does exist and, in the case of three-quarters of them, it is Turkey. It is clear that this share of the respondents is already linking the threat not to the until recently promoted East-West bloc confrontation but to the specific geopolitical situation in the Balkans. Indirectly, this is confirmed also by the fact that 20 percent of those surveyed believe that in a difficult moment our country should rely exclusively on itself. Nonetheless, in this matter the highest was the share (22 percent) of those who consider the Soviet Union a country on which we could rely for help in a difficult time; 13 percent believe we could rely on the developed West. Of this 13 percent, the highest (4 percent) are those who named the FRG, 3 percent the United States, and 6 percent the other Western countries. These views are new against the background of our ideologization. Actually, however, they are a projection of traditional views that were pushed into the background in the last decade. Probably this preference is manifested in the developing geopolitical outline of a unified Germany as a European superpower.

Due to the concept of the reorientation of Bulgarian foreign relations, an opening to Europe is realized, on the

one hand, as an economic necessity and, on the other, as a way of surmounting the "oriental" backwardness of the country. This explains the seeming paradox that only 0.6 percent of the respondents preferred the development of relations with the rich Arab countries in which Bulgaria has large and well-known economic interests.

As to party predilections, they are reflected relatively predictably on foreign policy views. Among those who rely on the Soviet Union for help at a difficult time, 73 percent support the BSP and 13 percent the SDS. This orientation is shown by 31 percent of the members of the BSP and only 2 percent of the members of the SDS. Active preferences shown for the highly developed West were indicated more by the voters for the SDS and the population of Sofia and the other large cities. Among those who rely mainly on the FRG, 9 percent are supporters of the BSP, and 77 percent support the SDS; the respective figures for the United States are 5 percent and 80 percent.

On the other hand, it is a positive fact that pragmatism in foreign relations is not the monopoly of any political force. There is an even breakdown between the BSP and the SDS (respectively 39 and 40 percent) among those who believe that it is necessary to maintain relations with all countries with whom this would be profitable. The pursuit of such a pragmatic approach could provide Bulgarian foreign policy with the type of stability and predictability that earns the respect of its partners.

The ethnocultural composition of our country also has interesting geopolitical projections. The Pomaks and, particularly, the Turks, support foreign policy orientations clearly distinct from the national ones. The share of those preferring the preservation of relations mainly with the Soviet Union is much lower. It is 4 percent for the Turks and 6 percent for the Pomaks, whereas the national average is 14 percent. The figures for the Western countries are 8 percent for the Turks but 19 percent for the Pomaks, with a national average of 20 percent. Conversely, priority is given to relations with Balkan countries—9 percent among the Turks and not one of the surveyed Pomaks named this option, which was 2 percent for the country as well as for Turkey—8 percent of the Turks and 2 percent of Pomaks—while the national average was 0.7 percent. Among these two groups, greater preference (2-3 percent) was expressed for the rich Arab countries (with an average of 0.6 percent). Obviously, these views are the result of religious and ethnocultural but not economic considerations.

Unlike the other predilections, the foreign policy orientations of the Bulgarian people still have no immediate and direct manifestation in social practices. They are averaged by the foreign policy mechanism and the process of foreign policy decisionmaking. It will only be after this mechanism becomes democratized to a sufficient extent that our international policy will truly be consistent with predominant views and feelings in our country.

### Political Standards and Structures

The value system of the people must be studied if we are to understand the nature of our nation as a political subject. In our survey, the questions in this case include attitude toward religion and God and concepts of justice and freedom.

According to the data we obtained, the percentage of people who believe in God exceeds one-half of those surveyed (52 percent). The breakdown of believers by settlements is extremely curious and quite unexpected. In the countryside, more than 60 percent believe in God. This was expected. A similar situation prevailed in small towns. This was less expected but could still be explained according to the old atheistic system, with the backwardness and closeness to the mentality of the countryside prevailing in such towns. In Sofia, however, 55 percent of the people described themselves as believers. At this point it becomes clear that the old system does not work. It does not apply even in the large cities, where believers account for exactly one-half of the population. It is only in average-sized cities that there are more nonbelievers (53 percent as against 47 percent). It is obvious that, whereas one-half of believers could be explained by traditionalism, other explanations exist for the balance. It is as though two types of religious feelings are beginning to take shape in the country, conventionally described as "traditional" and "new."

This is also confirmed by the age breakdown of believers. The highest percentage of believers is among persons over 60, which stems from the Christian belief and knowledge of religion acquired via the educational system prior to 9 September 1944. However, many more than one-half of respondents belonging to the youngest age group (under 25) also stated that they believed in God. This is an obviously nontraditional religious feeling that was not obtained either through education or the family but is a conscious, politically motivated choice that conflicts with the influence of the official atheistic ideology of the past. Answers to this question given by the generation between the ages of 46 and 60 may be due to ideological fatigue.

The adult and rural populations who believe in God by inertia, so to say, without making their own decisions on the matter, are precisely the same people on whom, as we saw, the BSP relies. Meanwhile, faith in God on the part of the young, educated urban population, which supports the SDS, is obviously yet another sign of nontraditionalism, of a conscious self-identification, which rejects familiar reality. The conclusion is that in this case faith is part of the individual's activist attitude.

At the same time, the data indicate that the shaping of the two types of religious feelings (traditional and politically motivated) has not reached its completion. This is seen by the breakdown of believers by educational standard, in which the traditional picture is reproduced: the highest percentage of believers (nearly 70 percent) is among the undereducated. In the case of people with

secondary educations, the share is 50 percent and, among those with higher educations, only 40 percent said they believed in God.

The breakdown of believers on the political scale is familiar, based on Western data. More than one-half of all nonbelievers in the country voted for the BSP; correspondingly, the share of the electorate who are nonbelievers was nearly 60 percent. This is confirmed both by European data, according to which the "left-wing" political orientation is accompanied by an increased number of atheists, as well as the tendency shown by a high percentage of socialist voters in our country, who tend to accept the officially encouraged concept within society that there is no God. Conversely, more than 40 percent of believers in the country voted for the SDS, among whose supporters believers are almost double the number of atheists—65 percent as against 35.

As to the other two parliamentary forces, for understandable reasons the highest percentage of believers among its supporters was found in the DPS (82 percent), whereas, in the BZNS, the share of believers was somewhere in the middle between the national average and that of the "blue" opposition—nearly 60 percent.

Differences between the supporters of the two main political forces in understanding the concepts of "freedom" are more clearly defined. We are astounded by the contemporary breakdown of answers on a national scale: 57 percent of all voters accept the view that "there is freedom when everyone can do what he wants as long as he does not break the laws" (while the option of "consideration with the interests of the collective," which brings to light familiar topics in our country, was supported by no more than 20 percent of the positive answers). Within the electoral bodies, the structure is as follows: The first variant, the one according to which freedom is something limited exclusively by the law, was selected by 71 percent of SDS supporters and 49 percent of supporters of the BSP. Polarized differences are found, however, in the answers to the second "collectivistic" variant: Only 9 percent of SDS voters accepted it as a manifestation of freedom, as compared with 34 percent for the BSP. Hence, the conclusion that the one-fifth of our entire population that conceives of freedom on the basis of "collectivism" would prefer to vote the red bulletin. However, since collectivism in such a major problem was a minority view among the voters, the BSP strategists should not rely on it. An eventual further erosion of a "collectivistic" state of mind should work in favor of an orientation toward the SDS.

From the viewpoint of political studies, the most important problem in such a study is the extent to which the different value subcultures in the country were expressed in the different political groups and their legitimate manifestation in the political area. The extent of coincidence among these three levels indicates the degree of predictability and stability of the political situation as a whole.

This clearly indicates that a process of differentiation between two basic value systems is developing in the country: the inertial, concentrated in small settlements and among the less well-educated strata and the adult population groups; the other, activist and individualistic, concentrated among the young and better educated residents of large cities. These differences are manifested quite adequately in the shaping of two different political standards that also could be encompassed within categories such as inertia and activism, and collectivism and individualism. Finally, the two political subcultures find, at the present stage, a relatively adequate expression in the existing political superpowers: The BSP represents the first, and the SDS is the bearer of the second.

At the same time, the breakdown of standards should not be exaggerated. It has still not achieved its definitive aspect. In terms of a number of indicators, the two standards are interwoven. They are to the same extent equalitarian toward problems of daily life: The worsening of material conditions would be tolerable, "assuming that it is shared equally by all," respectively 27 percent of the BSP electorate and 25 percent of SDS voters; all in all, 48 percent believe that there should be neither poor nor rich, as compared to 31 percent who accept this. This quite substantial reservoir of equalitarianism is combined with a significant amount of skepticism concerning the sufficiency of the institutionalized forms of political activities; 59 percent of the respondents assume that the political struggle could be waged outside the National Assembly as well. On the other hand, the electorate is equally divided as to specific actions: 41 percent believe that meetings and strikes will not be avoided, and 39 percent would personally take part; those who disagree with these options are, respectively, 40 percent and 40 percent. While the situation has not been entirely clarified, conditions for a populist outburst exist in the country.

In summing up the values of the various questions in the survey, it appears that perhaps about one-half of the voters try, to one extent or another, to "avoid" the positions of extreme polarization. This supports the hypothesis of the existence of a concealed frame of mind that is seeking a "centrism" on domestic grounds. For the time being, squeezed between the two "superpowers" and under conditions of an intensified socioeconomic instability, such feelings do not find an adequate party-political expression, nor do they achieve self-awareness through the categories of political centrism.

Nonetheless, where do we go after the "dark room?" It seems that the situation is not offering a particularly rich choice. It is precisely the fast political structuring of all social impulses in our country that helped us so far to avoid the "Romanian variant" of the transition. We must not allow any radical disparity among value orientations, political preferences, and their representation on the national scale through political forces. The political community should convince the nation of its ability to meet the expectations of the people. What we need now

is a consensus rallied around the principles of a democratic transition rather than aggravating disputes about the "final objectives." This, probably, is the main responsibility of politicians in today's Bulgaria.

## CZECHOSLOVAKIA

### Von Schwarzenberg Prefers Vigorous Reform Efforts

90CH0424A Paris LE MONDE in French 14 Sep 90  
p 7

[Article by Paul Fabra: "An Interview With Mr. Karl von Schwarzenberg"]

[Text] The great debate launched in the immediate aftermath of the velvet revolution has not yet been resolved, though some in Prague have tried to pretend otherwise. For the last nine months the debate has pitted partisans of radical reform against those, including perhaps certain die-hard supporters of socialism and its variants, who advocate a slower march toward a market economy and no specific target date for reaching it.

In the battle of ideas, the former appear to have carried the field, a fact of some political consequence. Within the next few days the parliament, elected in June, will start debating a series of law proposals aimed at bringing rapid change. The principal author of the actual economic legislation is the finance minister, Mr. Vaclav Klaus, a proponent of liberal ideas. But a parliamentary agenda is one thing, the actual restructuring of an entire society something else again. If it is to be carried off successfully, many different things must be taken into account, some of them quite contradictory. As President Havel said recently: "It is not true that our revolution has failed. It is just not yet finished. The hard part is still ahead."

This was the main theme of the opening questions we posed to the president's top aide, Mr. Karl von Schwarzenberg, who has been Mr. Havel's chief of staff since July and is referred to by the title of chancellor. But he insisted first of all on clarifying his own role: "It is not for the president's personal staff or its director to take the place of the government and its ministers. Our mission is one of information."

His answers were both straightforward and cautious. But the caution appeared less the expression of his personal preferences than the result of a logical analysis of Czechoslovakia's situation and the state of mind of its inhabitants. Europe, after all, had pinned its hopes on the rapid rehabilitation of this country which, unlike its neighbors, is blessed with a democratic tradition and great industrial strength.

The Czechoslovaks have certainly done all they promised—and more—to restore democracy: Participation in the 8-9 June legislative elections was 96 percent. It is much more difficult to assess the extent of economic

change. The wheels are turning, but movement is still too slow to be seen by the naked eye (see our column titled "Czechoslovakia Unchanged?" in LE MONDE of 4 September).

"Any comparison with our northern and southern neighbors is practically meaningless, even leaving aside the completely separate case of East Germany. Hungary has been trying for 20 years now to introduce market mechanisms. Poland was also laying the foundations, to a certain extent. In any event, Poland—and this is a very important point—retained an agricultural system based on private ownership. Things were quite different in Czechoslovakia. One might even say Czechoslovakia has the most completely socialized economy in Europe. Prague was governed by orthodox Communists. In other words, we are starting from scratch, all the way down the line. I fear the process is going to take some years."

### Entrepreneurs Gone

A little later in the conversation he said: "Obviously there is only one solution: to take the plunge." And again: "As for the so-called third way, between socialism and capitalism, that seems to me as far-fetched as being a 'little bit pregnant,' to use the popular expression."

Karl von Schwarzenberg clearly enjoys metaphors and parables. When this titled prince, descendant of a great family of the Austro-Hungarian Empire, was tapped by President Havel (a friend since their days in the clandestine opposition) to head his team of advisers, many commentators thought the choice signaled willingness to revive a once-prestigious tradition that fell into disrepute in the interwar years. But it seems more likely von Schwarzenberg was picked for his sense of realism and respect for all shades of opinion.

Czechoslovakia labors under a greater handicap than at first appears. In this country, which prior to the war was one of the most prosperous on the continent, the traditional structures of a market economy were not lost when the communists came to power in 1948, our interlocutor took pains to emphasize. Essentially, the nation had lost its independence 10 years earlier with the signing of the Munich accords. In March 1939 Hitler occupied it. Despite the pressures and overtures to which the von Schwarzenberg family, which had immense holdings in Czechoslovakia, was subjected, it refused to collaborate with the Nazis. As a result, an 11-year-old Prince Charles was forced into exile and a life in precarious circumstances.

When von Schwarzenberg is asked about the delapidated condition of Czechoslovakia's industrial plant, many of whose key installations date back to the prewar years, he retorts: "What industrial plant?" But even more disturbing in his view is the fact that "today you will find our entrepreneurs or their descendants in North America or Australia, instead of here." Last March the heir to the Bata group returned to his native land to resume his business activities. He is 73 years old.

The key to shifting from socialism to a market economy—people are always saying this, and not only in Czechoslovakia—is the restoration of contract law and private property. By definition, a commerce-based economy could not get very far without contract law. It would be unable to grow or play its intended role as the instrument for allocating available resources. In short, it would be unable to take the place of the now-dethroned concept of central planning.

Since truly centralized economic management is a practical impossibility—except perhaps in wartime, when waste is at a maximum, appearances notwithstanding—the issue should probably be reformulated, as a number of attorneys and entrepreneurs in Prague (a few have actually survived) point out: what the market economy ought to do is end the quasi-absolute hegemony of the big state-owned companies and the monopolies they exercise.

But there is another major issue: By definition, a right is not a right unless it is recognized as such. “Two successive generations,” says von Schwarzenberg, “have been indoctrinated with the idea of collective ownership of the means of production. Getting people to accept or understand the idea that from now on some company or factory belongs to Mr. X., and Mr. X. has the power to do what he pleases with it, is not easy. Why should people believe those who tell them the private property system is much more efficient, and you will benefit indirectly from it? Why should people who still have nothing believe they will be better off as a result of the property rights exercised by others?”

The solution? For von Schwarzenberg, it will take time: “The conditions for broader acceptance of such juridical changes can only be created by market imperatives themselves.” Comparable situations spring naturally to mind to support this view. To cite but one example, it was not so long ago in France that the great majority of people thought ending price controls was synonymous with inflation.

Which brings us to the heart of von Schwarzenberg's political message. All his comments above give rise to the same question: how to reconcile his analysis—which more or less presupposes that people are not psychologically prepared for sudden change, even supposing such change could be accomplished by fiat—with his conviction that in spite of everything there is no alternative to taking the plunge?

#### EEC or Germany?

When von Schwarzenberg is asked whether he believes Czechoslovakia will work together with its neighbors who share the desire for change, this almost quintessential Central European (he is a dual national, Czechoslovak and Swiss, and normally resides in Vienna), responds bluntly: “Special ties must naturally be established between the neighboring countries, but how much help can the crippled expect from the blind?” What really excites him is the EEC: “That is the solution!” he

exclaims, adding: “How can we convince our compatriots they must jump straight into the cold water and try to swim across a difficult channel, unless they see there is a friendly welcome for them on the farther shore?”

Havel's adviser has two answers to the argument that premature entry of the Central and East European countries into the Community could delay the plans of the Twelve for economic and monetary union. First, he understands very clearly that a transition period of five to ten years would be perfectly justified, so long as things are moving steadily in the right direction. He views the examples of Spain and Portugal as particularly telling, and relevant to Czechoslovakia and its neighbors. Unless it is announced as soon as possible that Czechoslovakia and the other countries of Danubian Europe could be eligible for full-fledged membership by perhaps the end of the century, foreign investors (especially the Americans and Japanese) may turn away.

His second answer is more political in nature: If the entry of Czechoslovakia and its ex-communist neighbors into the EEC is postponed indefinitely, economic development in those countries will become “a regional affair,” a sort of “private preserve.” The allusion could not be clearer: If the European Community does not embrace them, it will be a reunited Germany which one way or another assumes responsibility for the interests of the region. Is that really desirable?

#### Petrik Explains Reasons for Tension Between VPN, Christian Democrats

90CH0421A Prague FORUM in Czech 4 Sep 90 p 2

[Interview with Jan Petrik by Petr Bartos; place and date not given: “Does the KDH [Christian Democratic Movement] Support President Meciar?”]

[Text] Because the KDH [Christian Democratic Movement] has recently assumed various controversial attitudes toward current social problems, and because its president, J. Carnogursky was visiting the United States, I asked the “number-two man,” Eng. Jan Petrik, central secretary of the KDH Council, to clarify a few things.

[Bartos] From your point of view, how do you rate the results of the negotiations of the three governments in Trenciansky Teplice?

[Petrik] The results obtained in Trenciansky Teplice completely fulfill our expectations of how competence in the economic organization should be divided between the two republics.

[Bartos] Why do you think the VPN [Public Against Violence] wanted to discontinue its coalition with you and form a minority government with the Democratic Party?

[Petrik] The main reason was a misunderstanding, whereby the VPN got the impression that our orientation had become purely nationalistic, and that we supported



the creation of an independent Slovak state. This impression was created because one of our members participated in the famous meeting of ten Slovak national parties. At this point I would like to emphasize again that we received the invitation from the Party of Independent Slovaks, which is admittedly an insignificant party, but which is fighting for the rights of Slovaks in Southern Slovakia, whose fate is not a matter of indifference to us. However, when certain suggestions were made, for instance, that an independent Slovak state should be proclaimed as of 1 January, our representative pointed out to the meeting that that was absolutely unacceptable, and when they still refused to accept him, he got up and left.

[Bartos] What is KDH's attitude to the belief that, as long as Slovakia becomes independent, Slovaks living in the West will pour billions of crowns in investments into it?

[Petrik] I have no official knowledge of such a condition. Naturally I have heard of the idea, but from unreliable sources. However, I repeat that I cannot give an answer, because officially neither the World Congress of Slovaks, nor the League of Canadian Slovaks have mentioned such an point of view.

[Bartos] Don't you think that creating the sovereignty of a state on the basis of nationality is an anachronism in a market economy system?

[Petrik] I do not believe that it will be an anachronism. Every European country went through a stage of economic and political independence. Slovakia never experienced this. The Slovaks must have the feeling that they are experiencing some form of "independence", that they are building the entire infrastructure on their own, and that in this way they will enter Europe. Even if this period will be very short, I believe that it must come, naturally in a form acceptable to both republics. Slovak problems must be resolved in Slovakia, and Slovaks must make the decisions on them, even at the risk that there will be failures. In 72 years, no one has convinced the Slovaks that Slovak problems were being resolved honestly for the good and welfare of Slovakia. I believe that, in 1918, when our joint state came into being, there were not enough competent and professionally educated Slovaks to be able to act as representatives; there is no doubt about that, but the situation today is totally different, and we have enough experts and politicians ourselves! We believe that the powers and the jurisdiction of the Federal Government and Federal Assembly should be transferred to the individual republics as far as possible.

[Bartos] What difference do you see between the confederation suggested by you, and the authentic federation that is now under discussion?

[Petrik] We do not insist on the term confederation. Again, I repeat, that we totally endorse the demands of the Slovak Government for the new conception of federation (from Trenciansky Teplice). I am convinced that

it was our courageous statement about a confederate organization of the states that forced Mr. Meciar to negotiate. Because a real political power presented itself, which was not satisfied with the law on competency that was approved following the Federal Government's program announcement. I asked my coalition partner, the VPN, who would be helped most if we left the government merely because we supported a more clearly profiled national program? We or the VPN? I pointed out that we did not want to profit from the national character of our party, but from the economic program that we have.

[Bartos] What is your opinion of the Bartoncik Incident?

[Petrik] I have no doubt that the StB [not further expanded] wanted to get information from him. But I do not believe that Bartoncik, Dr. of Law, denounced someone for profit, or so that a criminal charge could be brought against anyone. I also do not believe that he gave the StB information that could hurt the CSL [Czechoslovak People's Party]. If I did believe that, I could not work with him.

Despite the fact that the KDH is the coalition partner of the VPN and the DS [Democratic Party], and despite the fact that it has so far usually taken nationalistic positions, as if it wanted to regain votes lost in the election and after it, it seems that it wants to play the role of a more cultivated and moderate SNS [Slovak National Party]. With its "combined" pressure, the SNS is really forcing even the VNP to speak more openly and decisively about national questions. And, just as in Bohemia and Moravia the success of privatization is conditional on an uncompromising departure from the so-called mafia terminology and on total denationalization, in Slovakia it is linked more closely with national, and thus automatically also economic, independence. Time will tell how prudent this understanding of the future is.

## HUNGARY

### Privatization Bill Approval Signals FKgP Surrender, Disintegration

91CH0039A Budapest MAGYARORSZAG  
in Hungarian No 39, 28 Sep 90 p 17

[Conversation between Alliance of Free Democrats (SZDSZ) parliamentary faction leader Representative Peter Tolgyessy and agricultural expert, Independent Smallholders, Agricultural Workers, and Citizens Party (FKgP) member Representative Geza Zsiros recorded by Eva Bango in Budapest, date not given: "Coalition Concerns—Antall's Whip"—first paragraph is MAGYARORSZAG introduction]

[Text] Representatives did not make much progress in debating the preliminary privatization law last week. Many (32) abstained, and even more (101) voted against it, and thus the legislative proposal barely squeezed through the parliament. But passions did not abate even



after the law was adopted. From the Citizens Party [FKgP] ranks, Geza Zsiros looked around in disbelief, then turned toward the press gallery to indicate that he did not vote for the law, but that he had a few comments to make. He was prepared to make a statement right then and there. I walked to the corridor, but an interview did not materialize. Zsiros ran into SZDSZ [Alliance of Free Democrats] faction leader Tolgyessy. To quote Zsiros: a dialogue of "historic significance" ensued between these prominent members of the two parties. The following is a slightly abbreviated and somewhat edited transcript of the conversation. No editorial comments were added. Both representatives agreed to the recording of their conversation on audio tape.

### In the Trap

[Tolgyessy] Not too much wheat will be sown in the fall unless there exists a land law. They speculate with corn, because corn will command a good price. And also because hell knows what will happen. I think uncertainty is the worst of all things, therefore a decision should be made one way or another.

[Zsiros] It's good that you and I have a chance to talk, but this is not the subject I wanted to comment on. Instead, I wanted to discuss the fact that the "already shredded and crushed Smallholders are now in powdered form." I really allowed myself to be shredded and crushed only to make the old peasants realize that not a single political organization identifies with our concept. Whether the fact that I did not pick up the glove so to speak constitutes political advantage or disadvantage, but did what I did in a modest, diplomatic manner instead, is yet another matter.

[Tolgyessy] Look, the entire text—and I tried to say this—was directed against the prime minister. The prime minister's party had a program related to land. I have the impression that he will force you to retreat even after the local elections. He will make minimum concessions to the FKgP, but we shall see that later. Fundamentally, the prime minister was the one who changed directions by saying something different for a few months than what he stood for during the elections. I have the impression that he will return to the original Hungarian Democratic Forum [MDF] position.

[Zsiros] So be it, Peter, you may be correct, but the fact is that a coalition exists. It works like a car in which only a single spark plug is missing, and in which there is a hole where the spark plug should be. Could you drive that car?

[Tolgyessy] No, certainly not.

[Zsiros] You know what follows?

[Tolgyessy] The cabinet will be voted down constantly unless the SZDSZ supports the cabinet.

[Zsiros] I will not deny the fact that I was not the one to draft the FKgP land program. I was told by people what

to put into the program. I did not perform this task all by myself, I did it with staff. The fact that at present the preliminary privatization law was not reconciled is a separate matter. But it is certain that one should not play around with agriculture, or with large enterprises and with future owners. I still believe and profess that the plan I prepared—on the basis of this information and as a result of the impatience—is not bad as a basis for negotiations. Because I did not take a position.

[Tolgyessy] But this is not our concern, it is Antall's concern. I have the impression that Antall procrastinated in order to avoid having to take a position in this regard prior to the local elections, and because he is likely to change his mind in this regard after the elections. I am not certain about this, this is only my impression. And the FKgP will be in the trap, because what he will have to say will be very attractive. Not for you, but for others who occupy the velvet chairs and want to remain ministers. In the end the FKgP will surrender its concepts. The same way it surrendered its ideas in regard to small shops, i.e., that the original conditions should be restored. To be sure: the FKgP surrendered this concept brutally, and you will do the same in regard to the land law. A few of you may even quit.

### If There Is No Land, Nevertheless...

[Zsiros] Do you feel that I was inconsistent?

[Tolgyessy] You might have been consistent, but to a large extent your party surrendered the idea....

[Zsiros] Look at today's vote....

[Tolgyessy] Yes, with today's vote the FKgP surrendered the program it advocated thus far, even if the FKgP did not surrender the most important part of its program.

[Zsiros] Peter, whether I like it or not, I must acknowledge that you are correct in what you just said, that in terms of cerebral capacity, political strategy and tactics, a few of our parliamentary representatives are not at par with what would be needed at the present level of the political struggle. On the other hand I never had any doubts about their good intentions and straightforwardness.

[Tolgyessy] Neither did I. And yet it is very interesting that the FKgP is beating and cutting us, whereas we never said that we would yield in regard to the land issue. We always clearly expressed the idea that we could be on good terms with the Smallholders, provided that they abandoned certain important elements of the land issue. In contrast, prior to the first round of the elections the MDF attacked you on these grounds, then, before the second round of elections the FKgP and the MDF reached an agreement, and thereafter the MDF did not accept the FKgP too well. And then that agreement among the parties came about, but now something else is going on again. I read the text of the three-year program. We accept the idea that whoever cultivates the land

should have his land returned. But whoever is not willing to cultivate the land wants to receive annuity payments from producer cooperatives and state farms.

[Zsiros] Peter, tell me: what could we do with these concepts of the SZDSZ? At issue is not whether the SZDSZ concept is good or bad. At issue is the fact that it will officially appear that the SZDSZ concept is closer to the ideas of the Agrarian Alliance and of the Hungarian Socialist Party [MSZP] than to ours. To top it off, Balint Magyar spelled out this matter by saying that the Agrarian Alliance and the MSZP came closer to the SZDSZ in their approach. You understand! This is not a matter of political skirmishes, the people who understand this profession and action should sit down at last and deal with the issues irrespective of party standing, rather than with their spiritual lives.

[Tolgyessy] I believe that our land program is closer to the MDF program advocated prior to the elections, and that the MDF will return to that program after the local elections. And you will be left hanging in the air. More accurately: you will not be left hanging in the air, you will be able to retain these ministerial posts. I will predict even more than that: between now and the next elections the MDF will disintegrate you. In part the MDF will devour you, in part your voters will turn away from you, claiming that you cheated them. And in the next elections the FKgP will not exceed the four percent threshold requirement for being seated in the parliament. And for now I predict that you will have grave problems in the cities. People in small villages will vote for you routinely. There will be many villages which do so and it is possible that you will have a large number of mayors. But in politically significant cities your power will be diminished already in these elections, and slowly the MDF will devour you and you will have problems with your voters. You will have difficulties in going to rallies when it turns out that the people will not have their land returned. The MDF will slowly devour the FKgP, unless the FKgP quits the coalition and changes the situation. All that nice joint applause, those jointly held coalition faction meetings amount to Prime Minister Antall cracking the whip. Or look at this vote today. It is a clear example. The FKgP maintained a clear position, [faction leader] Jozsef Torgyan made very clear the fact that he wanted to see privatization and that the preliminary privatization law was unacceptable. This was fine. But what happened thereafter? The FKgP voted the way Antall and Commerce and Industry Minister Peter Akos Bod cracked the whip.

#### "You Will Be Assistants...."

[Zsiros] As far as I am concerned, I cast my vote against that legislative proposal.

[Tolgyessy] The ruling parties control 58.5 percent of the vote, but the final result was 57 percent. This is a minimum difference.

[Zsiros] Yes. And precisely for this reason I felt that the grand coalition was once again at work....

[Tolgyessy] You were wrong on that....

[Zsiros] I do not understand how this vote came about, because several of us voted against it. I'm on my way to Room No. 41 to check this out.

[Tolgyessy] Go, take a look. Those four votes represent one percent.

[Zsiros] Reverting to your concerns, it is certain that we would not like to become subcontractors to anyone.

[Tolgyessy] You will not become subcontractors, you will become assistants. You will be assistants....

[Zsiros] Precisely for this reason I hope that our 27-28 October board meeting will be wise and will have some foresight to present trustworthy people. In other words, that it will not create positions for people, but will produce people who suit those positions and are able to perform those tasks. We will face very great concerns unless this happens. We feel and recognize this, not only the problem of generational change. Indeed, it will not suffice for a party to tell its membership what the party wants. It must say what a given community wants. We will be facing tremendous problems if they fail to understand this, if we fail to convey this understanding, and fail to convey the understanding that the party cannot be a one-legged chair, but that it needs to have four legs. The fact is that not much time is available to accomplish this. A few of us sense this threat, and I pray to the Creator that we may act jointly in this regard.

[Tolgyessy] That's how things are....

#### Local Government: Constitutional Provisions, Law Criticized

91CH0043A Budapest MAGYARORSZAG  
in Hungarian No 39, 28 Sep 90 pp 20-21

[Article by Imre Takacs: "Autonomy: Legitimate Organizations—The Stratification of Power—They Are Independent, Free"]

[Text] The organizing effort by free autonomous governing bodies is an important element of democratic evolution because only these autonomous organizations are able to ensure the existence of a civil society, interest representation, and volunteer organizing of professional, cultural, and other activities. Autonomous governing bodies whose activities are regarded as being pursued in the public interest, and which enjoy a particular constitutional status stand out among all the autonomous governing bodies. This character is bestowed upon them by law. Such law may prescribe mandatory membership or an obligation to compensate for services rendered, as well as the authority of the organization to issue public documents, licenses, etc. In addition to recognizing the autonomous governance of associations, and of religious and interest groups, the state grants autonomy to certain institutions which commit themselves to foster certain values which cannot be regulated through the exercise of

public power (for instance, universities, the Academy of Science). Based on tradition and universality, the autonomous governance of settlements, the autonomy of residential communities stands out among autonomous governing bodies.

#### **They Appear as Offsetting Force**

Developed local autonomy represents a tested, legitimate organization which provides office holders sanctioned by way of an election for the democratic administration of public affairs. Amid conditions of a pluralist democracy, developed local autonomy is capable of formulating a social consensus, thus enhancing the legitimacy of the entire political system. Beyond all this, however, a democratic autonomous governing system is also an important element in the stratification of power, insofar as this system appears as a force which offsets the central state power, as a network which represents the interests of communities and people residing in settlements. The elements of this network are linked by formal relations legally sanctioned by the legislative, executive and even the judicial powers, as well as by informal ties. As a result of these relationships autonomous governing bodies perform a broad role in making initiatives and in exercising control. The weight of these is increased by the spread of alliances and associations of autonomous governing bodies.

When Law No. 65 of 1990 concerning autonomous governing bodies went into effect, and with the election of representative bodies, the Soviet-style council system in Hungary was replaced by a system of autonomous governance which combines the traditional elements of the pre-1945 Hungarian autonomous governmental system with the requirements of modern public management. The conceptual basics for autonomous governance were established in the framework of constitutional amendments proclaimed on 9 August 1990. The subject of the right to local self-governance is the community of voters, which exercises the right to self-governance through the representative body, or directly, by way of popular referendum. From the standpoint of autonomous governing bodies the fact that the constitution assembles the theoretical foundations in a separate chapter has the significance of a guaranty, extending the scope of constitutional provisions to jurisdictional issues and to legal safeguards.

#### **Mutual Compromise**

Enactment of the law concerning autonomous governing bodies enabled an uninterrupted continuation of the process of political systems change. Consistent with this endeavor, the legislature dealt with the laws concerning local autonomous governing bodies and local elections on a priority basis, while aware of the fact that additional laws will be required to ensure the functioning of autonomous governing bodies. These include laws which settle ownership issues, and based on that an itemized determination of the jurisdiction of autonomous governing

bodies over assets. The law concerning the state household settles the relationship between the state budget and the financial administration of autonomous governing bodies: the revenues to be yielded and the standard foundations for central subsidies. We may include here the law concerning the legal standing of public employees, and the regulation of administrative adjudication. Accordingly, in addition to the rules of financial management, legal provisions which specify the professional qualification requirements for officials of autonomous governing bodies, incompatibility rules, and the requirement for conducting proceedings before independent courts to ensure legality of action are also conditions for the functioning of democratic autonomous governing bodies. The joint effect of these laws enables the demolition of centralized administration which characterized the council system. Centralization degraded the status of councils to the point that they became the executive apparatuses of central state organs. This was topped by daily, direct political interference with the daily social and regulatory activities of councils by local party organizations.

The law concerning autonomous local governing bodies constitutes a departure from the council system, from organizational forms which provided multiple assurances for the enforcement of the central state management will (the dual subordination of the executive committee, confirmation of the election of the county council chairman, etc.), from the concept of unified and indivisible state property, and from the inclusion of council budgets into the state budget.

The law providing for a constitutional amendment that established the transition and a framework for the transition, Law No. 31 of 1989, included the law concerning autonomous governing bodies among the laws having the force of the constitution. In the course of amending the constitution in June 1990, however, the National Assembly discontinued the institution of laws having the force of the constitution as independent sources of law, nevertheless it specified that adoption of laws concerning autonomous governing bodies must be approved by the vote of at least two-thirds of the representatives present. Accordingly, a broadly based consensus was required for the adoption of the law governing autonomous governing bodies. It required the consent of parties outside the coalition.

#### **Delegates of the Republic**

The most potent feature of the opposition concept was the definition of the right to self-governance as an individual civil right. The law is a result of mutual compromises. The opposition agreed to establish county level autonomous governing bodies which cannot limit the rights of autonomous governing bodies in settlements. In response to an opposition proposal, designation of the function of the county executive ["*foispan*"]

was changed to "delegate of the republic," and incumbents in these posts are to exercise regulatory supervision, and oversee the legality of action taken by autonomous governing bodies. Eight regional units were established within the country, in each of these an office of a delegate of the republic functions. (These regions do not correspond with geographical regions designed on the basis of their economy, their role is purely regulatory.)

The law does not make a distinction between the autonomous governing bodies' "own" and "assigned" jurisdictional concept in operation until 1950. It does not follow the council law either, insofar as the enumeration of local and central tasks are concerned. The essence of autonomy includes the fact that autonomous governing bodies may freely commit themselves to perform tasks, they may do anything not prohibited by law, and not delegated under the jurisdiction of some other organ by law. Autonomous governing bodies are legal entities, in addition to exercising proprietary entitlements, they may participate in entrepreneurial ventures in order to establish their financial resources.

Following the permissive provisions which established the freedom of action, the second part of the law deals with mandatory tasks. The legal basis for establishing obligations is supported by the idea that fundamental citizen rights may be realized through the institutions of local autonomous governing bodies (social welfare and health care provisions, schools, the fostering of nationalities culture, etc.). Financial support for the performance of mandatory functions by autonomous governing bodies must be provided by the central government. Tasks are also funded by the property of autonomous governing bodies, and by revenues collected by autonomous governing bodies. The legislature delegated the issue of establishing standards for central state support to a separate law. This involves a definition of a personal income tax ratio to which autonomous governing bodies are entitled. Accordingly, the law concerning autonomous governing bodies ensures the framework for the independence and the free activities of autonomous governing bodies and defines the mandatory tasks to be performed, but the material conditions for all these will be determined in subsequent legal provisions.

The law concerning autonomous governing bodies does not reiterate the constitutional provisions, the fluency of its text is not impeded by references to various paragraphs. In an unusual, and from a theoretical standpoint, manner which cannot be justified, the law defines the National Assembly as the source for the right to self-governance. This is accomplished with reference to Hungarian traditions of self-governance and the charter adopted by the Council of Europe. The right to autonomous governance is a basic constitutional right; the law fell short in declaring this fact. But the law follows the constitutional text insofar as a narrow definition of the

subject of the right to self-governance is concerned. It declares self-governance as a right belonging to the local community of voters.

The right to self-governance is a characteristic example of a situation in which the declaration of certain fundamental rights as individual rights does not sufficiently express the substantive content of that right. Some rights may be exercised through some community, as a result of the activities of the community. This situation exists in regard, for instance, to the free exercise of religion, and the exercise of national and ethnic minority rights, and in the cases of the right to form associations, the right to assembly, and the right to strike. Undoubtedly this also applies to the enforcement of the right to self-governance, because only some community of individuals may accomplish self-governance.

#### **Bodies Sanctioned by Public Law**

Recognizing the fact that certain rights may be enforced only collectively, the science of public law recognizes bodies sanctioned by public law as holders of such rights. Such bodies include autonomous local governing bodies, churches, universities, academies of science, etc., which become the holders of individual rights (academic freedom, the freedom of religion, the freedom of scientific research, etc.) in order to be able to enforce the rights of their members. As a result of a number of factors, the public law character emerges in the most pronounced fashion in the framework of autonomous governing bodies, (historical development, participation in regulatory development, traditions of self-regulation, the sense of responsibility for the settlement, etc.). For this reason, units of local government—towns, cities, counties—should not be defined in the constitution as public administrative, regional-organizational units, but as bodies created by public law instead, providing for their creation as well as their termination. The constitution provides that a National Assembly resolution disbanding an organization of a local autonomous governing body and its representative, is subject to an opinion to be rendered by the Constitutional Court. At the same time, however, the constitution does not guarantee the right to establish an autonomous governing body.

The right to self-governance may be regarded as a personal freedom to which everyone is entitled only if we add a necessary provision saying that the community of those entitled to this right constitute a community recognized by the constitution, a body sanctioned by public law (town, city, county), and that such bodies sanctioned by public law (communities) are subjects which may exercise the right to self-governance. This idea gains expression far more clearly in countries where the designation of the community is the same as that of the autonomous governing body. Self-governance is an individual right, the role of the state is constructive only to the extent that it determines the establishment of a town, a city, or a county. For this reason constitutional provisions are needed to establish conditions, compliance

with which establishes the possibility of becoming a town or a city (city with the authority of a county), with the limitation that the consent of the populace in a given settlement is required for the exercise of this right, alternatively, the right of initiative held by the representative bodies of such settlements must be recognized.

On the other hand, state administrative units may be established on the basis of professional considerations within the regulatory field. The National Assembly followed this principle when it established the regions in which the individual delegates of the republic have jurisdiction.

### Strong Interference

The law concerning autonomous governing bodies enables autonomous organizing efforts by towns to freely join forces (instead of being forced to enter into joint councils). But the statutes issued by autonomous governing bodies are forced to run on a constrained track because while the framer of the law concerning autonomous governing bodies provided in detail for all organizational issues, it did not leave room for independent and varied solutions. The parliamentary debate concerning the incompatibility of mayors well reflected the fact that the National Assembly interferes strongly in these matters—matters that could be decided locally: specifically the issue pertaining to the people from among whom the community may elect its number-one representative.

The role played in administration still dominates the view concerning autonomous governing bodies. This mistaken outlook once again provides a good example for a situation in which the key person of autonomous governing bodies, the mayor experiences a dual linkage as a result of the official authority vested in him. In terms of administration the law produces a significant amount of centralization as far as specialized regulations are concerned, while entrusting a significant part of the official activities to decentralized organs. True, as a result of this, the law frees autonomous governing bodies from controlling specialized regulatory functions. But the requirements for professionalism and for uniform administration do not justify the fact that specialized regulation is far removed from autonomous governing bodies, in fact so far that it adversely affects the function of developing settlements.

## POLAND

### POLITYKA Weekly News Roundup

90EP0853A Warsaw *POLITYKA* in Polish No 35,  
1 Sep 90 p 2

[Excerpts]

### National News

Lech Walesa traveled to Italy where he is to meet with the pope. In an interview for ANSA, the Italian press

agency, [when] asked about his presidential candidacy, he said that "I know I will win. The problem lies elsewhere. I do not want to win merely to win. I want to have strong support. Only then will I be able to perform my tasks.... But that is not all! If I am to run, the presidential elections must be compulsory."

The most recent report of the Public Opinion Research Center (July 1990) indicates that Balcerowicz's plan now has only a few more supporters (26 percent) than opponents (24 percent).

On the building walls in Koszalin slogans "Glemp—President" have appeared.

A decision of President Wojciech Jaruzelski overturned the decision of the Council of State of July 1974 awarding Leonid Brezhnev the Great Cross of the Order of Military Virtue for war services. The other 12 individuals who have received the highest Polish military decoration are: Jozef Broz-Tito; Nikolay Bulganin; Andrey Grechko; Ivan Konev; Sir Bernard Montgomery; Konstanty Rokossowski; Michal Rola-Zymierski; Aleksander Wasilewski; Grigoriy Zhukov, and generals: Aleksey Antonov; Ludwik Swoboda; and Karol Swierczewski.

The board of the Gdansk Region of Solidarity has demanded the Sejm and Senate declare martial law illegal, a violation of the law, and an act against the nation.

A new daily SOLIDARNOSCI with a national distribution has been formed in Lodz. The editor in chief is to be Krzysztof Kocel. The editorial offices received the space vacated by the Lodz censorship office.

In an interview for TRYBUNA, Rajmund Moric, chairman of the OPZZ [All-Polish Trade Unions Agreement] federation of miners, announced that "if nothing changes in the wage policy, there will be protests, probably on 15 September. In that case, the federation will support the people."

Retailers and owners of service stores in Legnica dissatisfied with the new rents for space are demanding the dissolution of the City Council and new elections. In order to call a referendum, they must collect the signatures of 16,000 residents of Legnica. In two days, they have already collected 2,000.

The proposed law by 17 deputies of the Citizens Parliamentary Club (OKP) calling for the lands of worker garden plots to become the property of the gminas and for the assets of the Polish Union of Gardeners to become the property of the State Treasury has caused a wave of protests.

As the Wroclaw GAZETA ROBOTNICZA reports, on 18 August 1990 near the Bridge of Friendship over the Nysa River in Zgorzelec a group of 70 National Democrats (chiefly young people from Frankfurt am Main and West Berlin) forced their way past the border patrol and marched through the streets of Zgorzelec shouting "Alles

Deutschland" (all this is Germany) and then returned to the bridge. The military did not use its weapons because there was normal traffic across the border. On 20 August, the border plenipotentiary of the GDR expressed regrets to the Polish side for the events; however, the commander of the Luzyce Brigade of the Border Guard Troops has moved additional "physical and technical resources" to the region.

Since 27 August 1990, 253 regions of general government administration have appeared on the administrative map of Poland. Initially, there were to be 195 of them, but after numerous protests by local groups, which see the seeds of a future network of powiats in the regions, their number was increased by 58.

There has been a division in the Confederation for an Independent Poland [KPN]; the KPN—Democratic Fraction [FD] is led by Ryszard Bocian of Krakow.

The offices of the Polish Security Bank in the tricity area have begun to sell silver coins struck in honor of the 10th anniversary of Solidarity. The 100,000 zloty coins are being sold for 120,000 zloty.

Near the Gdansk Shipyards, Zbigniew Stefanski and A. Sedernowski, two employees of the shipyard, have begun a hunger strike to protest the worsening economic situation. Also, since 13 August 1990, Teodor Kudla has been striking near the monument to the victims of December 1970 to protest against the court's failure to register Solidarity '80.

Poznan is becoming the Polish capital for self-government. The secretariat of the Confederation of Presidents of Polish Cities [KPMP] is already located there, and it is also to be the home of the National Local Self-Government Sejmik. Poznan has also been considered for the location of the reactivated Union of Polish Cities [ZMP]. [passage omitted]

The record of political parties maintained by the Warsaw Voivodship Court, in accord with the provisions of the new law on parties, was initiated by [the registration of] the Polish Peasant Party [PSL], which reserved the use of the "green four-leaf clover." The fifth entry in the record is the SdRP [Social Democracy of the Republic of Poland], which has reserved the use of a stylized rose.

The Solidarity Working Commission of Metallurgists at the Sendzimir Steelworks has sent a request to the Krakow City Council to change Aleja Lenina [Lenin Boulevard] to Aleja Solidarnosci [Solidarity Boulevard]. Making Lech Walesa an honorary citizen of Krakow is also being considered.

The president of Legnica has called for organizing a meeting of city presidents, mayors, and gmina heads from areas where Soviet units are stationed. They would discuss the problems associated with the presence of those forces and with the division of funds deriving from the payments made by the Soviet side for the use of facilities and land. Until now half has gone to the state

budget, and the rest has been used by the Soviet units to pay for maintenance of the facilities used.

The offerings of the Gornoslaska Commercial Agency have recently included a DC-9, five light planes, and seven helicopters. The latter were priced at \$2.35 million each. But there were no buyers.

Imported 96-octane gasoline in many cities already costs 2,900 zloty a liter because of the conflict in the Persian Gulf. Domestic 86- and 94-octane still has not increased in price, but the lines at the pumps of the Central Petroleum Agency are getting longer. [passage omitted]

### Opinions

[passage omitted]

*Jerzy Borowczak, deputy chairman of the Solidarity Factory Committee at the Gdansk Shipyard:*

(Interviewed by Henryk Dobosz, GAZETA GDANSKA 16 August 1990)

[Dobosz] The current law severely limits the right to strike.

[Borowczak] I think that whatever the government—of Mazowiecki, Geremek, or anyone else, even if Walesa is president—the right to strike will not be observed, [there will be] rigid rules. Perhaps in 10 years.... But now? The work force will protest and that's it; people can be imprisoned later, punished, and that's the way it goes. And speaking truthfully, no one here takes the law seriously. The communists also forbade us the right to strike, but when wrongs occurred...

*Doc. Dr. Wojciech Lamentowicz, political scientist:*

(Interviewed by Ewa Karwowska, GAZETA WSPOLNA 15-31 August 1990)

[Lamentowicz] There is no one on the political stage who does not have ambitions to power. If there are such people, they do not participate in the struggle for offices and functions. One cannot say that Walesa is ambitious, and Mazowiecki or Geremek are not ambitious. Thus, the institutional space into which the given person exercising power enters is immeasurably important.

[Karwowska] Which means?

[Lamentowicz] Only this, that the institutions must be better than the people. They cannot have an opening which even for a politician capable of limiting himself would constitute a temptation to exercise total, uncontrolled power.

*Krzysztof Zabinski, Sejm deputy, member of the qualifications commission for central personnel at the Ministry of Internal Affairs:*

(Interviewed by Andrzej Szmak, NOWOSCI 17 August 1990)

[Zabinski] The teaching personnel at the Academy of Internal Affairs and the Higher Officers School of the Security Service in Legionowo were also under our commission. The majority of the lecturers at these institutions were released, and training in Legionowo, where a police training academy will replace the Higher Officers School, will be taken over by civilians. At least until there are new police personnel. And that is probably the only way. [passage omitted]

## YUGOSLAVIA

### Report on Political Parties in Yugoslavia

91BA0017A Belgrade NIN in Serbo-Croatian  
21,  
28 Sep 90

[Article by Ljuba Stojic: "Pluralistic Ballot"]

[21 Sep pp 26-27]

[Text] Someone once accurately noted that elections are the civilized alternative to civil war. From this one may conclude that whenever there are no elections or they are not held in a civilized fashion, then civil war becomes real.

The elections to the Assembly of Yugoslavia are still scheduled for the end of the year, but right now (at the beginning of fall), the question of whether they will be held is more uncertain than ever.

Nevertheless, the Federal Law on Political Association by the Citizenry has come into force, and the Federal Secretariat for Justice has begun accepting registration forms from political parties that intend to participate in the electoral race.

Parties that are registered on a federal level must meet conditions established by federal law, and have the right to organize their activities throughout all of the SFRY in order to prepare for their participation in the elections for the Assembly of Yugoslavia. If they intend to offer voters their candidates for republican assemblies and other elected bodies in the republics as well, then they must register with the corresponding republican secretariats for justice, complying with republican regulations on political association by the citizenry.

None of the registration forms received by the Federal Secretariat for Justice by 14 September 1990 was

rejected for entry in the registry of political organizations, Dr. Kambovski announced.

The question also arises concerning the use of "loopholes in the law" by those organizations not permitted to function in their own republic who thus register on the federal level. This has not happened so far, but the possibility exists since the registration of two organizations has been rejected on the republican level. One in Serbia (the Serbian Chetnik Movement of Vojislav Seselj) and one in Macedonia (the Community of Macedonian Youth from Tetovo).

However, there is one essential difference between the federal Law on Parties and the corresponding regulation in Serbia, which accords preferential treatment to political organizations listed in the federal register: Here, the possibility of a company organization of the party is not excluded. In practical terms, this means that all Serbian parties that also have federal status, of which there are six at present, can form their bodies as enterprises and institutions.

Even a cursory examination reveals that this list of 14 federal political organizations reflects only the beginning of the registration process. Not only are several national parties absent from the list that have already indicated their intention to expand beyond the bounds of their home republic (especially the SDS [Social Democratic Party], SDA [Party of Democratic Action] and HDZ [Croatian Democratic Community], for example); also missing are those that were founded and formed as primarily federal parties (the UJDI [Association for Yugoslav Democratic Initiative], headquartered in Titograd, or the Alliance of Ruthenians and Ukrainians of Yugoslavia, in Novi Sad). Two federal parties are scheduling their founding congresses for October: the Alliance of Reform Forces of Yugoslavia of Mr. Ante Markovic, and the Yugoslav Socialist Party, which will continue the tradition of the former LCY [League of Communists of Yugoslavia].

### Federal Registry of Parties<sup>1</sup>

Conditions:

- At least 100 founding members
- That the program not include any disruption of order, any threat to the integrity and independence of the country, any violation of human rights or any incitement to intolerance
- That it not use a symbol of the parties defeated in the World War II

1.	Workers Party of Yugoslavia, Belgrade	Milosav Jovanovic
2.	Yugoslav Socialist Democratic Party, Belgrade	Prof. Dr. Milan Miladinovic
3.	New Communist Movement of Yugoslavia, Belgrade	Radonja Vesovic
4.	Socialist Party of Yugoslavia, Belgrade	Dr. Predrag Govedarovic
5.	Democratic Alliance of Kosovo, Pristina	Ibrahim Rugova
6.	Muslim Democratic Party, Kopar	Rasim Maslic

7.	Movement for the Defense of Human Rights in Yugoslavia, Belgrade	Tomislav Krsmanovic
8.	Communist Party of Yugoslavia, Belgrade	Milosav Perovic
9.	Serbian Renewal Movement (SPO), Belgrade	Vuk Draskovic
10.	Party of Yugoslavs, Zagreb	Ante Ercegovic
11.	Movement for the Union of Serbia and Montenegro, Belgrade	Milenko Rivic
12.	National Peasants Party, Belgrade	Dr. Dragan Vecelinov
13.	Democratic Party, Belgrade	Dr. Dragoljub Micunovic
14.	Serbian Saint Sava's Party, Belgrade	Dr. Zarko Gavrilovic

**Registry of Parties in Serbia<sup>2</sup>**

- At least 100 founding members
- Its name may not be an affront to public morals
- It can be organized only on a territorial basis

**Conditions:**

1.	Socialist Party of Serbia (SPS), Belgrade	Slobodan Milosevic
2.	Serbian Renewal Movement (SPO), Belgrade	Vuk Draskovic
3.	Serbian National Renewal (SNO), Nova Pazova	Mirko Jovic
4.	Serbian Saint Sava's Party, Belgrade	Dr. Zarko Gavrilovic
5.	People's Radical Party (NRS), Belgrade	Veljko Guberina
6.	Democratic Party, Belgrade	Dr. Dragoljub Micunovic
7.	New Democracy-Movement for Serbia, Belgrade	Radivoje Lazarevic
8.	Democratic Community of Vojvodina Hungarians, Ada	Agoston Andras
9.	Party of Independent Business People and Peasants, Belgrade	Nikola Radosevic
10.	New Communist Movement, Belgrade	Branislav Kitanovic
11.	Workers Party of Yugoslavia, Belgrade	Milosav Jovanovic
12.	Democratic Forum, Belgrade	Leon Kojen
13.	Party of Democratic Action (SDA), Novi Pazar	Sulejman Ugljanin
14.	Movement for the Defense of Human Rights in Yugoslavia-Party of Human Rights, Belgrade	Tomislav Krsmanovic
15.	Alliance of All Serbs of the World (SSSS), Belgrade	Slobodan Mitic
16.	Democratic Alliance of Croats in Vojvodina, Subotica	Bela Tonkovic
17.	Independent Democratic Association, Presevo	Ali Ahmeti
18.	Party for Democratic Activity, Presevo	Riza Haljimi
19.	Republican Party, Arandjelovac	Dragan Djurovic
20.	Old Radical Party, Belgrade	Milorad Stevanovic
21.	People's Party, Belgrade (Novi Sad)	Petar Momirovic
22.	Greens Party, Belgrade	Dragan Jovanovic
23.	Democratic Party of Freedom, Belgrade	Dusan Boskovic
24.	Liberal Party, Valjevo	Predrag Vuletic

**Registry of Parties in Montenegro<sup>3</sup>**

- At least 50 founding members
- Registration without appraisal of contents of registration form

**Conditions:**

1.	League of Communists of Montenegro, Titograd	Momir Bulatovic
2.	Democratic Party of Montenegro, Titograd	(Chairman dismissed; new one not chosen)
3.	People's Party of Montenegro, Titograd	Dr. Novak Kilibarda
4.	Liberal Alliance of Montenegro, Cetinje	Slavko Perovic
5.	Party of Socialists of Montenegro, Titograd	Zarko Rakocevic



6.	Socialist Party of Montenegro, Titograd	Dr. Ljubisa Stankovic
7.	Independent Organization of Communists of Bar, Bar	Mico Orovic
8.	Association of the Democratic Alternative, Titograd	Milorad Perovic
9.	Federalist Alliance of Montenegro, Cetinje	Sreten Zekovic
10.	Social Democratic Party of Montenegro, Titograd	Vidak Vujacic

[28 Sep pp 31-33]

[Text] In the last issue of NIN, we published a list of political parties that have been officially registered on the federal level and in two republics where elections have yet to be scheduled, but will probably be held by the end of the year (Montenegro and Serbia). Because of the vague remoteness of the elections, the process of forming a multiparty political scene is not yet complete in those areas, as a result of which we have been compelled in this issue to print a supplement for Serbia (over the course of the week, five new parties have registered, another is in the process of registering, and another has been announced).

We now publish the registers of parties from the two republics in which the election campaigns are beginning, where elections have been scheduled for November (on the 11th in Macedonia and on the 18th in Bosnia-Herzegovina), as well as from the two republics in which

multiparty elections have already been held in the spring of this year (on 22 April in Slovenia and on 6 May in Croatia). After 100 days of the new governments elected in multiparty elections, we have entered a period of new regroupings of political forces, which have just been announced.

#### Registry of Parties in Bosnia-Herzegovina<sup>4</sup>

Elections scheduled for 18 November 1990

Conditions:

- At least 30 founding members
- That the program not include any disruption of order, any threat to the territorial integrity of the country and the territorial integrity of the Republic, any violation of human rights, any threat to peace and interethnic cooperation, any incitement of intolerance, or any encouragement of criminal acts

1.	League of Communists of BH [Bosnia-Herzegovina]-Socialist Democratic Party (LC-SDP), Sarajevo	Dr. Nijaz Durakovic
2.	Party of Democratic Action (SDA), Sarajevo	Alija Izetbegovic
3.	Serbian Democratic Party of BH (SDS), Sarajevo	Dr. Radovan Karadzic
4.	Croatian Democratic Community of BH (HDZ), Sarajevo	Stjepan Kljucic (acting)
5.	SSO-Democratic Alliance of BH, Sarajevo	Rasim Kadic
6.	Party of Yugoslavs-Sarajevo Branch, Sarajevo	Salko Alicic
7.	Association for Yugoslav Democratic Initiative-BH Branch, Sarajevo	Dr. Gajo Sekulic
8.	Republican Party of BH, Sarajevo	Dr. Fuad Muhic
9.	Alliance of Reform Forces of Yugoslavia for BH (SRSJ), Sarajevo	Dr. Nenad I. Kecmanovic
10.	Democratic Socialist Alliance of BH, Sarajevo	Mirko Pejanovic
11.	"Greens" Ecological Movement of BH, Sarajevo	Prof. Muba Dizdarevic Peles
12.	Greens Party Office for BH, Banja Luka	Husein Halkic
13.	"Skakavac" Ecological Movement, Sarajevo	Zvonko Ivacic
14.	Yugoslav Democratic Party-Fatherland Front, town of Kukulje, district of Srbac	Vojo Kupresanin
15.	Peasant's Yugoslav Party, Bosanska Gradiska	Ismet Sejfiija
16.	Unified Socialist Party of Yugoslavia, Jajce	Dr. Ratko Elez
17.	Serbian Renewal Movement (SPO), Sipovo	Branko Topic
18.	Yugoslav Democratic Party, Banja Luka	Slavko Grahovac
19.	Party of Private Initiative, Doboj	Emil Cerni
20.	Party of Democratic Agreement, Bosanski Brod	Armin Poharic
21.	Party of Progressively Oriented Yugoslavs, Teslic	Dragan Covic
22.	Democratic Community of BH, Bosanski Samac	Iko Stanic

23.	Democratic Party, Bosanski Brod	Todo Kusljic
24.	Democratic Party of Freedom, Mostar	Radenko Petkovic
25.	Democratic Party, Mostar	Petar Milic
26.	Social Democratic Alliance of BH, Mostar	Borislav Grahovac
27.	Party for Democracy and Rule-of-Law State, town of Miljevac, district of Nevesinje	Borislav Zerajic
28.	Herzegovinan Democratic Community, Zitomisljci	Tomislav Martinovic
29.	Peasants-Workers Party, Bosanska Dubica	Mile Lovric
30.	Bosnian Democratic Party, Bihac	Asim Ibrahimovic, M.A.
31.	Yugoslav Democratic Party, Velika Kladusa	Sead Safic
32.	Democratic Party, Tuzla	Branko Peric, M.A.
33.	People's Council for the Defense of the People of BH, Gradacac	Sejfo Saric
34.	Party of Democratic Reforms, Sekovici	Janko Nikolic
35.	Workers Democratic Party-Party of Federalists, Sarajevo	Dragan Djokanovic
36.	Unified Yugoslav Movement, Sarajevo	Borislav Nisic
37.	"Bosnia" People's Party, Sarajevo	Mustafa Dervisevic
38.	SSO [Socialist Youth League]-Democratic Centrist Alliance, Sarajevo	Ognjen Jankovic
39.	Yugoslav Movement for Labor, Solidarity, and Equality, Sarajevo	Milorad Muratevic
40.	"Gajret" People's Democratic Party, Hadzici	Salem Fatic

**Registry of Parties in Croatia<sup>5</sup>****Conditions:<sup>6</sup>**

- At least 30 founding members
- Registration without appraisal of program
- Organizing allowed only on a territorial basis

Elections held on 6 May 1990

**Parties Represented in the Assembly**

1.	Croatian Democratic Community (HDZ), Zagreb	Dr. Franjo Tudjman
2.	League of Communists of Croatia-Party of Democratic Changes (LCC-SDP), Zagreb	Ivica Racan
3.	Socialist Party of Croatia (SSH), Zagreb	Zeljko Mazar
4.	Green Action of Split, Split	Dr. Nikola Viskovic
5.	Serbian Democratic Party (SDS), Knin	Dr. Jovan Raskovic
6.	Croatian Democratic Party (HDS), Zagreb	Dr. Vladimir Veselica
7.	Croatian Social and Liberal Party (HSLs), Zagreb	Drazen Budisa
8.	Croatian Peasants Party (HSS), Zagreb	Ivan Zvonimir Cicak
9.	Social Democratic Party of Croatia (SDSH), Zagreb	Dr. Anton Vujic
10.	Croatian Christian Democratic Party (HKDS), Zagreb	Dragan Lalic
11.	Muslim Democratic Party (MDS), Zagreb	Hasan Cerimovic
12.	Croatian Republican Peasants Party (HRSS), Vinkovci	Dragutin Zanic
13.	Coalition of National Agreement (coalition of seven parties: HDS, HSLs, HSS, SDSH, HKDS, with associate status for MDS and HRSS), Zagreb	Miko Tripalo

**Other Parties and Political Organizations**

14.	Radical Association for the United States of Europe, Zagreb	Vito Cesmadziski
15.	Croatian Peace Movement, Split	Stjepan Lozo
16.	Party of Independent Democracy, Rijeka	Radivoj Radivoj
17.	Croatian Party, Zagreb	Dr. Hrvoje Sosic
18.	Istrian Democratic Assembly, Pula	Ivan Pauleta

19.	Green Action of Zagreb, Zagreb	Vladimir Lej
20.	Yugoslav Independent Democratic Party, Zagreb	Mile Dakic
21.	Rijeka Democratic Alliance, Rijeka	Nikola Ivanis
22.	Croatian Party of Law, Zagreb	Dobroslav Paraga
23.	Party of Yugoslavia, Zagreb	Ante Ercegovic
24.	Autonomous Democratic Alliance of Croatia, Zagreb	Darinko Kosor
25.	League of Social Democrats, Zagreb	Dr. Milorad Pupovac
26.	Democratic Action of Croatia, Osijek	Damir Milic
27.	Democratic Alliance of Albanians in Croatia, Zagreb	Tom Berisa
28.	Movement for the Confederation, Zagreb	Petar Vucic
29.	"Green Action" Ecological Movement of Sibenik, Sibenik	Pave Cala
30.	Citizens Party, Split	Ivan Tadinac
31.	Croatian Republican Party, Zagreb	Borko Jurin
32.	Bosnian Democratic Party, Zagreb	Faruk Residovic
33.	Democratic Christian Party, Zagreb	Stjepan Herceg
34.	Greens Party of Rijeka, Rijeka	Danko Holjevic
35.	List for Osijek, Osijek	Zlatko Kramaric
36.	Istrian Popular Party-HSS, Pula	Boris Rotar
37.	Croatian Popular Peasants Party, Zagreb	Jure Sonje
38.	Roman Party of Croatia, Bjelovar	Zoran Djurdjevic
39.	Hungarian People's Party of Croatia, Zmajevac	Jozef Cergic
40.	Socialist Party of Croatia-Party of Yugoslav Orientation, Petrinja	Borislav Mikelic
41.	Party of Democratic Action-Croatian Branch, Zagreb	

#### Registry of Parties in Serbia (Supplement)<sup>7</sup>

25.	Democratic Political Party of Rome from Kragujevac, Kragujevac	Miroslav Bimbasic
26.	Davidovic-Grol Democratic Party, Belgrade	Vladimir Marjanovic
27.	Party of Social Justice, Belgrade	Zivan Haravan
28.	National Peasants Party, Belgrade	Dragan Veselinov
29.	Serbian Democratic Party for Serbia, Belgrade	Momcilo Kosovic

#### Registry of Parties in Slovenia<sup>8</sup>

Elections held on 22 April 1990

Conditions:

- At least 20 founding members

- That the program not include any disruption of order, any threat to the integrity and independence of the country, any violation of human rights, any incitement to intolerance, or any encouragement of criminal acts
- That it be organized only on a territorial basis

#### Parties Represented in the Assembly

1.	Social Democratic Party of Slovenia (SDSS), Ljubljana	Dr. Joze Pucnik
2.	Green Party of Slovenia (ZS), Ljubljana	Dr. Dusan Plut
3.	Slovene Democratic Alliance (SDS), Ljubljana	Dr. Dimitrij Rupel
4.	Slovene Peasants Alliance (SSS), Ljubljana	Ivan Oman
5.	Christian Democrats of Slovenia (SHD), Ljubljana	Lojze Peterle
6.	Liberal Party (LS) (previously Slovene Entrepreneurs and Craftsmen Party), Kranj	Franc Golija
7.	Demos-Coalition of six parties (SDSS, ZS, SDS, SSS, SHD and LS), Ljubljana	Dr. Joze Pucnik

8.	SKS [League of Communists of Slovenia]-Party of Democratic Reform (SKS-SDP), Ljubljana	Dr. Ciril Ribicic
9.	SSOS [Socialist Alliance of Youth of Slovenia]-Liberal Party (SSOS-LS), Ljubljana	Joze Skoljc
10.	Socialist Party of Slovenia (SSS), Ljubljana	Viktor Zakelj
<b>Other Parties and Political Organizations</b>		
11.	Slovene Craftsmen and Business Party-Craftsmen Party, Ljubljana	Currently without chairman
12.	Gray Panther Party (Retirees), Maribor	Dragan Cernetic
13.	Party for Equality of Citizens, Ljubljana	Dragisa Marojevic
14.	Muslim Democratic Party, Kopar	Rasim Maslic
15.	Communist Party of Slovenia, Ljubljana	Samo Resnik
16.	Italian Community, Piran	Silvano Sau
17.	Women for Politics, Ljubljana	Marija Cigale
18.	Democratic Alliance of Kosovo and Slovenia, Ljubljana	Salih Kabasi
19.	Movement for Culture of Peace and Nonviolence, Ljubljana	Marko Hren
20.	Pink Club, Ljubljana	Brane Mozetic
21.	Progressive People's Centrist Party (previously Citizens Green Party), Ljubljana	Marek Lenardic

**Registry of Parties in Macedonia<sup>9</sup>**

Elections scheduled for 11 November 1990

Conditions:

- At least 10 founding members

- Activities may not be used to disrupt order, threaten the independence of the country, violate human rights, threaten peace and interethnic cooperation, incite intolerance, encourage criminal activity, or offend public morals

1.	Social Democratic Party of Macedonia, Skopje	Slavko Milosavljevski
2.	League for Democracy, Skopje	Dr. Djordji Marjanovic
3.	Movement for Pan-Macedonian Action-MAAK, Skopje	Gane Todorovic
4.	People's Party of Macedonia, Skopje	Vladimir Stefanovski
5.	Party of Yugoslavs in the SR [Socialist Republic] Macedonia, Skopje	Milan Djurcinov
6.	VMRO [Internal Macedonian Revolutionary Organization]-Democratic Party of Macedonian National Unity, Skopje	Ljupco Georgijevski
7.	Party of Democratic Prosperity of Macedonia (PDP), Tetovo	Nevzat Haljilji
8.	Democratic Alliance-Farmers Party of Macedonia, Skopje	Dimitar Galev
9.	League of Communists of Macedonia-Party of Democratic Transformation (SKM-PDP), Skopje	Petar Gosev
10.	People's Democratic Party, Tetovo	Jusuf Redzepi
11.	Party for Democratic Macedonian Workers Unity (DMRU), Prilep	Zlate Stojkovski
12.	Workers Party, Skopje	Krste Jankoski
13.	Youth Democratic-Progressive Party of Macedonia, Skopje	Risto Ivanov
14.	Party for Full Emancipation from Rome, Skopje	Faik Abdi
15.	Party of Human Rights of Macedonia, Strumica	Ilija Ilijevski

**Footnotes**

1. As of 14 September 1990, as presented by the Federal Secretary for Justice Dr. Vlado Kambovski at a news conference. In the meantime (up to the conclusion of this issue of NIN on 19 September 1990), the Democratic Pedagogic Party of Yugoslavia (DPSJ) has been founded

in Belgrade (chairman: Drago Pantic), and the founding congresses of two new federal parties have been announced for October: Alliance of Reform Forces of Yugoslavia (SRSJ) and the Yugoslav Socialist Party (YU-SP). For unknown reasons, registration forms were not submitted by: Association for Yugoslav Democratic Initiative (UJDI), founded back in February 1989, cur-

rently headquartered in Titograd (chairman: Dr. Novak Jaukovic) and the Alliance of Ruthenians and Ukrainians of Yugoslavia, founded in Novi Sad in May 1990 (chairman: Dr. Julijan Tanas).

2. As of 14 September 1990, according to information from Aleksandar Veljkovic of the Serbian Republican Secretariat for Justice. The registration of the Serbian Chetnik Movement (Dr. Vojislav Seselj) was rejected because, in the opinion of the competent administrative body, the name of the organization is an affront to public morals. Six parties were registered without complete documentation: Southern National Party in Prokuplja, United Serbian Democratic Movement in Velika Plana, Christian-Muslim Democratic Party of Yugoslavia in Stuttgart, FRG, ABSU [expansion unknown]-Universal Party of Peace and Love in Belgrade, Democratic Political Party of Rome in Kragujevac, and the Yugoslav Democratic-Christian Party in Belgrade. For unknown reasons the following parties, which have been active, have yet to register: Social Democratic Alliance of Yugoslavia/Serbia (Milan Nikolic), Social Democratic Party of Yugoslavia (Velimir Cvetic), UJDI-Belgrade Branch (Nebojsa Popov), and Liberal Forum (Ivan Djuric). The Party of Yugoslavs in Serbia (Zaharije Trnavcevic) was founded at the beginning of September, and the founding of the Democratic Forum for Vojvodina in Novi Sad (chairman of the Initiative Committee: Zivan Berisavljevic) was announced.

3. As of 13 September 1990, according to information from Stanek Maric of the Montenegrin Republican Secretariat for Justice. The registration process is under way for four parties (Party of National Equality and Party of Equality in Rozaj, Yugoslav People's Party and UJDI-Montenegro Branch), while one registration has been announced (Democratic Party of Dr. Slobodan Vujosevic). Also founded is the Independent Organization of Communists of Cetinje, but it has yet to be registered. The founding of the SRSJ for Montenegro (chairman of the Initiative Committee: Dr. Ljubisa Stankovic) has also been announced.

4. As of 19 September 1990, according to information from Zoran Perkovic of the Republican Secretariat for Justice, who cautioned us that more than half of the parties are of a predominantly local character. In the meantime, there has been a split among the leadership of the SDA, and Adil Zulfikarpasic announced the founding of the Muslim-Bosnian Community on 21 September 1990.

5. As of 29 August 1990, according to the List of Registered Political Organizations of the Ministry of Justice and Administration of the Republic of Croatia, provided to us by Marjan Bertolanac of that ministry. In the meantime, the founding (in October) of two new parties with great ambitions has been announced: Croatian People's Party (Dr. Savka Dabcevic-Kucar) and Alliance of Reform Forces of Yugoslavia for Croatia (Ante Markovic).

6. In Croatia, no law on parties has been adopted yet, but the rules of the game have been agreed to within the Electoral Commission, which made preparations for the May elections.

7. Since completing the Registry of Parties in Serbia, which we published in the last issue of NIN, and thus since 21 September 1990, another five parties have registered, according to information from Aleksandar Veljkovic of the Republican Secretariat of Justice. The Party of Yugoslavs for Serbia (Zaharije Trnavcevic) has also applied for registration, and this is under way. Also, the founding of the Party of National Harmony (chairman of the Initiative Committee: Dr. Blazo Perovic) in Krusevac has been announced, while the Alliance of Reform Forces of Yugoslavia (Ante Markovic) and the Transnational Radical Party (Marco Panella) have been proposed.

8. As of 21 September 1990, according to information from Marko Golobic of the Slovene Republican Electoral Commission and Dejan Vercic of the Slovene Press Center

9. As of 12 September 1990, according to information from Slobodanka Pulekovska of the Macedonian Republican Secretariat for Administration and Justice. Two parties are in the process of registering: Party for Democratic Action in Macedonia in Skopje and Democratic-Christian party of Macedonia with headquarters in Ohrid. The Tetovo District Secretariat for Administration and Justice has rejected the application of the Community of Democratic Youth, a mononational Albanian party, due to illegal activities by members of its Initiative Committee.

Aside from political parties, the new law also provides for associations of citizens with political goals, of which three have registered thus far: Forum for Human Rights of Macedonia (Tomislav Cokrevski), Dignity-Association for the Protection of the Human Rights of Those Discriminated Against in the Republic of Greece (Dimitar Dimitrov), and "Egipcani" Association of Citizens in Ohrid (Nazim Arifi). The following associations have existed for some time, but have recently become politicized: Democratic Alliance of Turks in Macedonia and Association of Friends of Vlachs from the "Pitu Guli" Homeland.

#### **Bosnia Confederation With Croatia, Slovenia Urged**

*91BA0021B Belgrade NIN in Serbo-Croatian 28 Sep 90 p 34*

[Report of an interview with Republican Party Chairman Fuad Muhic in Chicago; interviewer and date not given: "Muhic's View of the Future"—first two paragraphs are NIN introduction]

[Text] What did the chairman of the Republican Party, recently registered in Sarajevo, have to say to Croatian

emigres? Why, in his opinion, does Bosnia-Herzegovina belong to that part of Yugoslavia "formed by Croatia and Slovenia"?

Sarajevo university professor Dr. Fuad Muhic, the leader of the Republican Party, was in America and Canada as a guest of the Croatian community. He appeared in a SLOBODNA HRVATSKA program in Chicago in order to answer questions about his political program, Bosnian nationhood, elections... Here is some of what he said:

[Question] Confederation—is that the minimum or the maximum of Bosnia-Herzegovina?

[Muhic] I am speaking for myself. A confederation is based on interstate agreement, while a federation is based on a constitution about which there is no certainty that it could also not be imposed. We believe, and we also advocate that Bosnia-Herzegovina, based on the principle of interstate agreement, belongs to the democratized part of Yugoslavia formed by Croatia and Slovenia, and we support the tendencies in Macedonia that are also confederalist. Not that we would be opposed to the Serbian nation as a nation, but rather we would be opposed to an authoritarian coalition that is currently being created by the regime of Slobodan Milosevic and the regime of those in power in Montenegro.

I still have nothing against this federation, I wish it luck in its further endeavors, but I favor that there not be too much exertion in the efforts to apply its program to Bosnia-Herzegovina.

[Question] Does your party have an exclusively Muslim membership base, or are there members of other religions as well, for example Catholics?

[Muhic] I will provide exact data. During the last half of July, we held a meeting in the conference hall of the Holiday Inn in Sarajevo to which the public was invited. I issued the call, and the meeting was announced by posters and in the press. We were counting on only those who responded spontaneously. To my pleasant surprise, the hall was completely full, and we had not informed anyone about it prior to that invitation.

When we later examined the national and social composition of those who had signed the membership book, we saw that they were for the most part Muslims and Croats. We also have Jews.

I mention this for the following reason. We are sorry that the Serbs did not respond to this question of our program and organization. We were open to all. We are a citizens' party, and as the first chairman, I am not to blame for the fact that as a result of that process we have turned out to be some sort of Muslim-Croatian coalition.

[Question] In Bosnia-Herzegovina, a new political idea is taking shape and a new nation is taking shape—the Bosnian nation. What do you think of this Bosnian nation?

[Muhic] With regard to the creation of a Bosnian nation, I have declared my opposition. I have had amiable talks with the main supporter of this idea, Mr. Zulfikarpasic, with whom I otherwise have correct private relations, but I told him that I cannot approve of any aspect of this idea, because it is obvious that not one Serb or Croat in Bosnia-Herzegovina would declare himself to be a Bosnian, meaning that the Muslims would be left to further split among themselves, thus creating general confusion about who the Muslims are. I do not want to contribute to that confusion.

[Question] It is a historical fact that the present-day inhabitants of Bosnia-Herzegovina, Catholics and Muslims, were one nation. Over the course of their tragic history, six or seven centuries ago, some sort of division was effected between Muslims and Catholics, and our enemies made good use of this to divide us in practical terms, so that we have been left with few deep traces of this that are still visible today. Now, the card of Bosnian nationhood is being played. Is this not a stab in the back of the Muslim nation in Bosnia-Herzegovina?

[Muhic] Perhaps I would not share such a bitter formulation of the situation. But the category of Bosnian nationhood brings with it great confusion. I do not know what context is behind this. However, it is obvious that the introduction of this category can only create misunderstanding in interethnic relations, because the census is conducted under the auspices of the United Nations. Its specialized agencies conduct the census in the first year of each successive decade. This means that now, in 1991, they will note the appearance of new national groups, and on the UN level there will be a certain—I repeat—confusion if some new category appears in Bosnia of which the United Nations was not aware. It is not the responsibility of those agencies to provide a political assessment, but in any event there will be topical questions from a scholarly point of view concerning what this is. This is like in the Pacific islands, according to legend, when all at once a new island emerges from the floor of the ocean, remains a while, and then again ceases to exist.

So this too is one of the reasons that I informed Mr. Zulfikarpasic, as a scholar, with respect for him in all regards as an extraordinary activist and man of action, that I cannot agree to such a position.

[Question] In recent days there has also been confusion within Croatian ranks concerning this position of Bosnian nationhood. We are faced with the bare facts: Serbia does not recognize Bosnia as an independent entity, Croatia does not recognize Bosnia as a separate state. This Bosnian nationhood gamble is a game played against the Muslims, a game to destroy the Muslim population in Bosnia-Herzegovina. Is there any possibility of defining that nation and of putting an end to this stupid idea once and for all?

[Muhic] Despite the fact you are speaking somewhat emotionally, I would translate this into a rational perception. I think that the category of Bosnian nationhood is beneficial neither to Muslims nor to Croats nor to any authentic inhabitant of Bosnia-Herzegovina. But I have rejected this from an administrative point of view and would not wish to speak in any other style than this way. It is, I might say, a phantom category.

[Question] Let us now move to another point—the elections in Bosnia-Herzegovina. We have all of three months until the elections. What is your opinion: Is it possible in that short amount of time to prepare the people of Bosnia-Herzegovina, who for the past 45 years have been cheated, deluded by fraud, lies, and disinformation, and now in three months are supposed to turn around and effect a genuine renewal in Bosnia-Herzegovina? Can this be carried off?

[Muhic] Please, again I must say that you are speaking a little emotionally, and I understand you. But I once again, in the sense of rational expression, would say the following. The Communists, in both Bosnia-Herzegovina and in Yugoslavia, previously felt no need for the so-called electoral culture. Elections were always prepared in advance. The only issue was to ensure in percentages the greatest possible citizen turnout. Now, there is a completely different situation. The citizens are faced with many parties, they will certainly turn out for the elections, but it is also possible to anticipate that which is encountered in the Western world as well—electoral obstructions. The election laws adopted, some of the provisions of which I am resolutely opposed to, contain the provision guaranteeing after the first round of voting, where the people, the electorate, expresses themselves spontaneously, a second round of voting which ordains the state and which has established its proportion based on the number seven: three Muslims, two Serbs, one Croat, and others in the seventh category. I cannot support this as a professor of constitutional law, because I believe that one nation, in this case the Croatian one, is placed in a defensive position—one against six!

### Founding of New Croatian Airline Criticized

91BA0021A Belgrade NIN in Serbo-Croatian 28 Sep 90  
p 24

[Article by Toma Džadžić: "Trojan Horse in JAT [Yugoslav Air Transport]?"]

[Text] The just-announced founding of a Croatian passenger airline, at a time when fuel prices are making an almost vertical ascent, is simply financial suicide, according to an economic expert with JAT [Yugoslav Air Transport].

Enormous economic risk or not, coming on the heels of the bankruptcies of the Zagreb air transport carriers "Pan-Adria" and "Trans-Adria," Croatia is thus creating

a new passenger airline for the third or fourth time since the war. This time, it is the nationally tinged "Croatia Airlines."

There have already been announcements of the sale of stock in the future company, and several days ago the chairman of the management board, i.e., the general manager, was chosen. It is Berislav Badurina, 66, a ranking general and committed philosopher, a man who has spent the greater part of his career both outside Croatia and outside Yugoslavia, in his capacity as ambassador for the SFRY, while the public remembers him mostly as the last cabinet chief under Josip Broz. He was in retirement when he was appointed the top man of the biggest investment in Croatia today.

Curiously enough, the report about the founding of "Croatia Airlines" announced just this past summer was not cause for concern among the then-leaders of JAT, at least judging from the fact that they did nothing to ward off their future competitor in the sky. In fact, many of them casually dismissed the announcement, confident that the new Croatian company has no chance of getting off the ground in earnest, let alone staying aloft for very long.

### Damaging Itself

Almost identical behavior was witnessed around three decades ago when an airline was formed in Ljubljana, the present-day "Adria Airways," which nonetheless developed to the point where it has presented ever-greater problems for JAT in international service as well.

Although the thinking at JAT is that the new Croatian government needs airplanes mostly in order to parade the Croatian coat of arms and checkerboard flag displayed on them around the world for the sake of self-promotion, one must first consider why and how in fact JAT has ended up in a situation of losing its position not only in domestic, but also in international transport, threatened by Yugoslav companies which are only in their founding stages.

If one also overlooks the problems that the new Croatian company will no doubt experience with qualified staff and with profits, regardless of whether it will derive advantages, it is inherent that JAT will suffer detriment from the new company's activities, even if JAT uses the competition as a motive for its own overall transformation and flight modernization under new circumstances.

It is increasingly clear now that in past years the business policy of the JAT leadership has actually worked exclusively to the advantage of a future—or the present—new Croatian airline and of the entire Croatian state.

For example, the Zagreb airport has little by little been made into a "hub center," which in aviation terminology means an airport from which all air travel radiates. Intentionally or not, in this way the Belgrade airport (and thus all of Serbia since the Belgrade airport is the

only significant airport in Serbia) has been almost completely isolated from Western Europe and the western hemisphere in general.

Thus, the new Croatian company arrives to find a well-established, completely separate flight system, worked out and developed over the years through the efforts and investments of JAT, which may or may not have been counting on some type of political-territorial separation of Croatia from Yugoslavia.

But even if JAT was accidentally developed to the detriment of JAT, even though economists claim that there are no accidents in economics, is it also an accident that its last general manager, Miljenko Zrelec, did not disclose his policy to a single person for four and a half years, much less execute and carry through any kind of long-term development program for the enterprise? Nor did he do anything to associate JAT with some more powerful, old airline, as he himself advocated a year ago at a symposium in Cavtat. It was even JAT that organized that symposium of worldwide specialists, and now the question that emerges is: Why, and for what purpose? JAT has assisted in the development of the entire Croatian economy, depending on its modest opportunities, and while buying up hotels and commercial space it has neglected its basic activity—air transport. It has sold off airplanes, and under very strange circumstances it has also invested in gambling establishments—in an outside interest.

The hotel business as a supplemental activity by airline companies is clearly nothing new, since this is a major source of income. But it is hard to explain why JAT has built in Pula and invested capital in the reconstruction of the "Esplanade" hotel complex in Zagreb, while at the same time selling off airplanes. Moreover, JAT employees do not know whether the company has an agreed share in the realized "Esplanade" profits, or whether the only benefit is that JAT crews receive a certain discount on accommodations at the "Esplanade"—when they sleep.

Only now will JAT employees learn that JAT has sold off airplanes while investing in the construction of bus terminals in Zagreb, or that it has also helped to maintain the Univerzijada in Zagreb, which financially has been only detrimental to the entire country, aside from Croatia, as well as to JAT as the official air carrier for

this sporting event. It is being said that JAT pays enormously high prices to receive and equip passengers from Croatian airports. The disadvantage is so great that of the country's total air traffic, 58 percent of all takeoffs and landings are at airports in Croatia.

#### JAT Versus JAT

Only now are other business moves by JAT former general manager Miljenko Zrelec being disclosed, which have at varying speeds but at any rate systematically, entrenched JAT in the red.

Among its investments in various economic properties across Croatia, JAT has agreed to set up a technical base for maintaining airplanes in Zagreb, and has also made plans to develop small-scale aviation exclusively according to the needs of the Croatian economy. At the same time, it has drawn up its flight schedule in accordance with the demands of the sociopolitical organizations of that republic and for those needs has even acquired a corresponding small fleet (ATR-type airplanes) which were projected in advance as being unprofitable to fly, although domestic air service in Yugoslavia is uneconomical anyway.

Bluntly put, JAT has done everything in Croatia to develop the overall airport complex and the so-called agent network, to such an extent that in practice it has paved the way for the emergence of a new, independent Croatian airline—the newly founded "Croatia Airlines."

Recently, there was genuine shock at the latest revelation that during the last months in which he held his managerial post Miljenko Zrelec, on his own initiative, made two more ill-fated business moves for which JAT will pay dearly.

First of all, while an official delegation from Serbia was staying in Israel on 1 August of this year, he broke off an agreement with El Al, the national airline there, which had been JAT's commercial representative for 20 years in the capacity of general agent. After that, Zrelec in South Korea ignored the national airline there, Korean Airways, and concluded business with the less significant Asian Airlines.

Now the key question is: To what extent did the delegates to the workers' council and the members of the management team know about these transactions during all the previous years?



## HUNGARY

### Competitive Bids for Abandoned Soviet Military Airfields Invited

91CH0040B Budapest NEPSZABADSAG in Hungarian  
22 Sep 90 p 11

[Unattributed article: "What Will Be the Fate of Transferred Soviet Airfields? Open Competitive Tender Invitation"]

[Text] Debrecen, Kalocsa, Sarmellek, Tokol, Kiskunlachaza, and Csakvar are on the list which enumerates the airfields already vacated or to be vacated in the course of the withdrawal of Soviet Southern Army Command units.

The Ministry of Transportation, Communication and Waterways Management, and the Ministry of Finance, State Property Management and Utilization Institute, will announce an open, international tender invitation. Hungarian and foreign private persons and legal entities, as well as business companies and organizations may participate in the competitive bidding. The purpose of the tender bidding process is to make the highly valued military airfields part of the national and international air transportation system, or of any activity related to aviation.

Bids will be opened on 4 December 1990, and a jury composed of experts will pronounce its judgment. On the basis of the opinion of the experts judging the bids, the Cabinet will decide over the ultimate utilization of the airfields. Results will be announced on 15 January 1991.

### New Military Prosecutor on Crime, Criminal Justice

91CH0040A Budapest MAGYAR NEMZET  
in Hungarian 24 Sep 90 p 5

[Interview with Chief Military Prosecutor Major General Dr. Tamas Kovacs by Peter Balla; place and date not given: "The Chief Military Prosecutor Seeks Expanded Authority—Slowly, the Criminal Situation in the Army Becomes Unmanageable"—first two paragraphs are MAGYAR NEMZET introduction]

[Text] During the past year and a half, the constitutional place and the future role of the prosecutorial organization as a whole, and of the military administration of justice, was the center of controversy. Debate over these issues was sparked on the greatest variety of grounds, but most were politically motivated. Under these, by no means easy, circumstances Dr. Tamas Kovacs (49) was appointed 1 August to become the deputy to the Supreme Prosecutor. He took the place of the just retired military chief prosecutor. Prior to his new assignment Kovacs served as chief of the military division of the Office of the Chief Military Prosecutor.

We asked questions of Military Chief Prosecutor Major General Dr. Tamas Kovacs about the future of prosecutorial work, about certain debatable legal problems related to representing the prosecution, and about possible changes in criminal law as those pertain to soldiers.

### Professionalism and Timeliness

[Balla] What is the future of the prosecutorial organization, and within that of the Office of the Military Prosecutor? Is it necessary to change military criminal law, in your view?

[Kovacs] As far as the future of the military prosecutor's office is concerned I am confident that sobriety and professional considerations will prevail when the final decision is made, and that legislators will not choose to abolish the military prosecutor's office. Although last fall they changed part of the penal provisions applicable to soldiers, I must say that from our standpoint we are not at all satisfied. The jurisdiction of the military prosecutor's office was diminished as compared to earlier. At present, the office of the military prosecutor has jurisdiction over all military criminal acts committed by soldiers, border guards and policemen. The investigative authority of the office of the military prosecutor, however, is broader than that: We investigate all criminal acts, i.e., not only military crimes, committed by soldiers and borders guards at their place of duty, or which are related to their duty. We feel that this situation is untenable. In addition to ourselves, four authorities have investigative jurisdiction in such cases, depending on the nature of the crime. We would like to see a situation in which the investigation and prosecution of all criminal acts committed by soldiers is once again placed under our authority, and in which military tribunals once again make uniform decisions in these matters.

[Balla] What justifies the partial restoration of an already curtailed jurisdiction?

[Kovacs] I would mention professionalism first. Quite naturally, I am not implying that the investigation, prosecution and trial of crimes committed by soldiers involves something mystical our civilian colleagues could not learn. The fact is that military prosecutors and military tribunals acquired this kind of experience, and that some kind of uniform trial practice has evolved regarding such cases. The other supportive argument is timeliness. Again, it should be obvious that the length of a criminal proceeding makes a difference to everyone, but I believe that these considerations are more pronounced when soldiers are involved. Whether a soldier subject to a criminal proceeding is able to perform a certain function, whether he can be assigned for patrol duty and whether he may have access to his weapons is not at all indifferent. At the same time, however, there is no need whatsoever to continue our jurisdiction over military criminal acts committed by policemen.

### Reprimands Do Not Make Sense

[Balla] Even after the military criminal law reform of last fall, the disciplinary authority of military commanders, rather than military tribunals to judge certain criminal acts remained. Can this be reconciled with the principle of equality among citizens?

[Kovacs] According to the latest amendments, misdemeanors committed by soldiers, and criminal acts not subject to a punishment of more than three years in prison, may be referred for action under the disciplinary authority of commanding officers. I personally do not believe that this legal provision conflicts with the principle of equality before the law, because the criminal responsibility of soldiers which results from the added function is far broader than that of civilians. Together with that perhaps, the disciplinary authority of commanders may be narrowed further, and it would be more fortunate if in the future, decisions as to what should be referred under the disciplinary authority of commanders on the one hand, and what should be left to the military tribunals on the other, should be made by the courts. Conceivably, later on, the commander's discretionary authority to decide for example the cases in regard to which he files a complaint, will also be narrowed further. To accomplish this, however, we would once again have to think through the legal provisions now in effect concerning misdemeanors. Under the changed living conditions we should be more bold in taking advantage of opportunities to decriminalize situations.

[Balla] Most recently, in the framework of the Dunagate affair, the institution of reprimand, that is, the opportunity available to the prosecutor's office to put an end to a criminal proceeding while expressing disapproval, came under the crossfire of ardent debate. Do you think that reprimands issued by the prosecutor's office have a future?

[Kovacs] Fundamentally, a reprimand is an accepted legal institution which produces practical benefits. It

enables a different establishment of criminal responsibility without having to use the full rigor of criminal law in every instance. But I do not believe that reprimands issued by prosecutors make too much sense, not to mention the fact that in principle some questions may be raised concerning this quasi-adjudicative function of the prosecutor. We have no theoretical justification for precluding anyone from being judged by a court, which then produces either positive or negative results. In addition, from a practical standpoint, a prosecutor's determination is not of much worth, it does not have that so-called material legal force, that is, it may be reviewed and changed at any time. This happened in the Dunagate case. In summary: if at the conclusion of an investigation the prosecutor's office finds that the possibility of filing charges exists, he should be obliged to file charges, and let the court clarify the issue of criminal responsibility. Within this framework the court may decide of course to issue a reprimand.

### Strict Screening of New Recruits

[Balla] Criminal activities increase year after year, according to the statistics. How did the number and composition of criminal acts committed by soldiers change?

[Kovacs] As a result of the jurisdictional and organizational changes mentioned before, we are slowly reaching the point where it becomes impossible to provide complete, comprehensive data concerning the criminal situation in the army. This is so because these criminal acts are investigated in five, mutually independent places. According to the latest reliable report issued in February, all criminal activities within the army increased by 7.3 percent over the previous five-year average. Last year the number of persons held to account increased by 3.36 percent over the previous year. These numbers also show that criminal activity within the army is much less cause for concern than is crime in civilian life. The primary reason is that the stringency by which new recruits are screened increases year after year. Deviant youths with a criminal record have little chance of being summoned to perform military duty.

## CZECHOSLOVAKIA

### Privatization Should Aim for Future, Says Economist

90CH0404C Prague HOSPODARSKE NOVINY  
(supplement) in Czech 22 Aug 90 p 5

[Article by Prof. Eng. Zdenek Haba, doctor of science, CSAV [Czechoslovak Academy of Sciences] Economic Institute: "Ownership—The Leftist Alternative"]

[Text]

### Privatization Should Look to the Future, Not to the Past

The controversy about the different concepts of privatization, which has been going on for a long time, can hardly be explained merely as a specialized debate by experts on the technical details of matters which have already been decided. Suggestions for changes in ownership relations are never merely "expert." The authors' more general ideas on the desirable form of society, on values a citizen should honor and goals he should strive for, are projected into them. That is natural.

However, along the path to implementation, every philosophy that is to change the world runs the danger of being diluted to a more simplified (in the interest of broadest understanding) and more acceptable (in the interest of widest support) ideology. We are well acquainted with these dangers from the past, and we will not avoid them by keeping silent about the ideological background of the proposals for privatization.

### An Extremely Complex Labyrinth

The alternative suggested by a group of experts from the Federal Government, aiming for a quick and consistent transfer of all enterprises to private or state capitalist ownership and preparing to use nonpayment, so-called investment coupons, to do this, bears the distinct seal of its neoconservative source. It differs greatly from the democratic trends of the post-November development. It returns laborers and the lower level employees of enterprises to the status of a wage-earning work force; it forms the higher level employees and workers in the state apparatus into a privileged stratum of superior individuals, which, due to monopoly on information and decisionmaking jurisdiction, is almost impenetrable. The branch subcommissions, which are recruited from its ranks, make the decisions on the establishment of joint-stock companies from former national or state enterprises; they also appoint the members of the managing committee that will administer them.

The course of privatization is also meant to be managed by a state office (for temporary administration and privatization of state assets; there would be no difference even if it were a ministry). Never before did high-level bureaucrats have as much power over national assets as this alternative offers them (and in part has already been put into law).

The expert technical resolution of privatization through investment coupons also bears traces of ideological bias and expediency. Instead of the logical demand for a distinct expression of ownership rights, it opts to create an extremely complex property and dispositional labyrinth, a situation that is totally incomprehensible and uncontrollable after the waiting period has passed. Tolerantly, it abandons its own principle of the stimulation and control function of ownership by first making it unearned and then casually distributing it to selected enterprises. Consciously, it limits the benefits from investment coupons to those citizens who, through luck or reliable information, obtain shares in the limited number of enterprises that have a chance to be successful. It is betting on financial speculation, not on work performance. It is creating dangerous new centers of inflation.

The demand that the state, using taxpayers' money, first put unprofitable enterprises in order (because otherwise they will be impossible to privatize since no one will be willing to buy them), emulating a practice in Great Britain, seems a little baffling in our country, because if the state were capable of doing this, what reason would there be to privatize them?

This version of privatization (with unsubstantial alternatives) should not be the only version submitted to the government and to parliament. In particular, there is no leftist version, which would be more in accordance with the conditions in Europe, with the traditions of our Republic, and with the true state of our economy.

### Democratic Equality of the Citizens

The leftist version of privatization—is this not a lapsus linguae or even a contradictio in adiecto? It is not if we interpret privatization as the broadest involvement, in terms of ownership interest, of all workers in the economic process, which aims, on the one hand, to stimulate and use additional ownership incentives for the performance of a given unit, and on the other, to create elementary requirements for humanizing work, such as self-realization activities. In this general form, privatization is an integral part of both Rightist and Leftist philosophy. No one today objects to denationalization per se; the impetus for it came from both sides. Nor does anyone object to private ownership having an equal right to step onto the platform of a pluralistic commercial economy.

However, it does not accept the axiom, or more likely fiction, that only a private owner can be a market entity of full value, a fiction which, during a time of managerial control, development of modern forms of leasing enterprise, existence of state holding companies, and theories of ownership rights, does not merely sound conservative, it sounds archaic.

It is an alternative that considers national assets to be a constant and long-term value; to be the economic basis for the democratic equality of the citizens and their basic vital securities, and thus also to be an opportunity for

enterprise even for those who would have the ability but do not have enough capital in this generation or in generations to come. It will create and utilize the huge potential of the synergetic effect of nationwide and international cooperation using the example of enormous financial world conglomerates. In contrast to past practice, it will guarantee that the returns and losses of entities operating with national assets will not dissipate in the anonymous state budget but will be fairly ascribed to those who deserve them.

Denationalization must be carried out in order to be able to realize this. Therefore the first step is the same as it the suggestions made to date (if we ignore the undemocratic way in which it is to be implemented, and which should be changed). However, there is a difference in that denationalized enterprises would not, in principle, be transferred to the private ownership of physical persons, but would, in principle, remain national assets administered by the National Assets Fund. The latter should be understood as an institute, like a holding company, subject only to the representative state agencies and performing the ownership function of society on commission from them.

#### The National Assets Fund

The National Assets Fund should grant national assets to individual and group economic entities (domestic and foreign) to transact business for an agreed contractual payment, whose lowest limit is the long-term investment rate, and according to additional conditions, which would always include guarantees for renewal and development of the entrusted funds. The resources that the National Assets Fund obtains from leasing, payments, etc., from selling physical parts of the national assets or when implementing cutback programs (write-offs), will, on its own authority, be used to realize centrally managed development programs, structural changes, etc., in such a way that the national assets entrusted to the fund will reproduce and increase suitably in monetary terms. In this sense, the fund is a permanent institution with an important macroeconomic stabilization function.

Work groups or individuals, to whom the fund entrusts national assets with which to operate, can be organized in various ways.

In this respect, the fund can be much more tolerant toward various forms of ownership and use than a dogmatically narrow concept of private ownership. It is clear that the fund's enterprises must operate under the same general conditions as all other entrepreneurs, pay the state budget the appropriate taxes and dues, and will be subject to generally valid wage, ecologic, information, and other legislation. They are linked to the fund through dues, rent, or other kinds of payment for the borrowed assets and through contractual rules of commerce, not through administrative methods of concrete management.

Net profit, according to this logic, belongs to the enterprise group, which is also materially liable for any losses.

For instance, the ownership motivation would be stronger in an autonomous enterprise than in a private one (it would concern all workers, and the individuals' private ownership rent, which decreases the overall amount to be distributed, would be eliminated), however, even those who would prefer simply to perform a job for a previously guaranteed wage rather than take an entrepreneurial risk would also have their opportunities—in different forms.

#### Fully Entitled Market Entities

One of the possible specific alternatives of autonomy was, for example, included in the original version of the Law on State Enterprises, others are specified in the documents of the Club of People's Autonomous Enterprise, as well as other places.

With this alternative of ownership organization, the following would exist in a pluralistic market economy:

- State enterprises attached to the state budget through their resources and returns, and performing various publicly beneficial activities without a direct profit motive.
- Communal (municipal) enterprises, similar to state enterprises but on a local scale, attached to community budgets; however, parallel to them, there can also be community profit enterprises similar to the National Assets Fund's enterprises.
- National Assets Fund enterprises, profit enterprises, operating on their own account and with their own resources, which were contractually loaned to them by the fund with a broad flexibility in types.
- Industrial, commercial, agricultural, project, and other group enterprises, on a share basis or with indivisible funds, large or small, with permanent or short-term objectives.
- Private large-scale production enterprises owned by individuals or operating as commercial enterprises, with domestic or foreign owners, or any combination of the above.
- Private small-scale production enterprises, based on the work of the entrepreneur himself—that is to say, a small group of other workers.
- Profit and nonprofit social organization enterprises including foundations and other types of the independent business activity of legal entities and physical persons.
- Mixed and temporary forms of the aforementioned types of organization of commercial activity.

Then, if there is, de facto, free competition between all ownership forms, the ones that prove most efficient and most adaptable will more easily be able to emerge in the individual sectors of the national economy. Whatever happens, in the area of privatization we will be breaking

new ground; therefore we should not close the door on any option for ideological reasons. Particularly since any procedure chosen will take several years, and though the success of the next two to three years of reform will be important, it will not be decisive. We still have time soberly to consider the second step of privatization, and to look to the future and not to the past.

### **Agricultural Costs Considered Excessive**

90CH0404E Prague HOSPODARSKE NOVINY  
(supplement) in Czech 22 Aug p 7

[Article by Eng. Pavel Hons, candidate of science, Czechoslovak Academy of Agriculture: "Everyone Has His Share"]

[Text]

### **About the Costs**

Macroeconomic costs exceed the purchase price of agricultural products by 1,605 times. The work of J. Vostatek (1989), who published his data, for example, in HOSPODARSKE NOVINY No. 10/1990, concluded that farmers are receiving up to Kcs100 billion in support. Estimated total (hidden and open) subsidies to Czechoslovak agriculture, according to the same author, are 4.2 times higher than reported, i.e., Kcs24 billion annually. Thus in the statistical year book, the reported share of agriculture in the national income, i.e., Kcs37 billion annually with a total output of Kcs146 billion is not equal to the parity of the purchasing power of the Czech crown on current food markets.

Of course, every country subsidizes food production. However, Czechoslovak agricultural subsidies burden our extended economy much more than in the developed countries of the world.

The proportion of total support to incomes in agriculture in OECD countries was on average 30 percent. Australia has a low share of subsidies to agriculture (three percent), New Zealand (12 percent), Portugal, Spain, and Turkey (18-25 percent), the developed countries of Western Europe and Japan (40-54 percent). The Soviet Union subsidizes foodstuffs with 50 billion rubles annually (at the same times it admits to spending 70.16 billion rubles for armaments in 1990).

West European countries mainly support agricultural purchase prices (70 percent of expenditures), direct income to farmers (4.6 percent), indirect subsidies, i.e., cheaper and reimbursed energy (7.1 percent), training and other expenditures (19.7 percent). In other words, these developed countries now manage their agrarian policies through economic tools in such a way that the balance between supply and demand of food is permanently dealt with. On the whole, one can say that the measure of support to the agrofood complex in the CSFR does not differ much from the measure of support in other European countries, but this support is a heavy burden for our inefficient economy. Up to 70-80 percent

of foodstuffs are also "burdened" by costs from agricultural production, resp. by the price of raw materials. In fact, farmers now know that 70 percent or more of agricultural costs are created from inputs from industry (machinery, fertilizers, seed, fodder, etc.).

If, according to purchase power parity, Czechoslovak agriculture was supported by an amount of Kcs100 billion annually, as Dr. J. Vostatek states, in calculations using the method of fully macroeconomic prices, it would probably be better to buy foodstuffs on world markets, where prices are relatively stable and subsidized by states. However, foodstuffs are still an integral part of world politics. It would mean throwing oneself at the arbitrary mercy, or more likely ill will, of several countries which, through overproduction of foodstuffs, set world agrarian policies, prices, etc.

Therefore the basis is the productivity of labor in the national economy. It has been reported that, compared to the developed countries of the world, labor productivity in the CSFR is 70 percent (an optimistic view), but it is closer to 50 percent. In 1987 (after conversion) the gross national product of the CSFR was \$103 billion, i.e., \$6,600 per citizen per year (\$14,500 per citizen; average of the twelve EEC countries \$9,000; average of the seven CEMA countries in Europe \$5,300; Japan \$10,500. etc.).

How does this concern agriculture? Directly! The low performance of input sectors, in relation to labor productivity, generates inflation even in agriculture. Stated in another way: According to estimates, the low quality of the inputs, shortages especially of pesticides, etc., cause an annual loss in revenues and increments of as much as Kcs15 billion. However, the farmers pass this on: 75-80 percent of grocers' costs originate from the costs for agricultural raw materials, which often are not suitable from the point of view of standards, quality, or technology.

Another basic difference when comparing our agrofood complex with other countries is the size and organization of the agricultural enterprise. In the FRG the average size of a "family" farm is 17.7 hectares, in Italy it is 7.9 hectares, in Great Britain 69.3 hectares, in the Netherlands 16.9 hectares, in Greece 5.7 hectares, and in France 29.2 hectares, and this permits flexible economic behavior on the part of the producers of raw materials for foodstuffs. Our 3,000 to 5,000 JZD [Unified Agricultural Cooperative] and 10,000 (read hectares) state farms cannot always ensure that the soil will be worked "as if in a garden", nor individual care for the animals, etc.

Farmers and grocers must have space to work and economic security. At this time these do not exist, just as accumulated capital in enterprises does not exist to efficiently introduce the results of R&D, which guarantees a decrease in costs and a growth in labor productivity.

## HUNGARY

**Former State Organs, Dismissed Manager Benefit From U.S. Fund***91CH0045C Budapest FIGYELO in Hungarian  
27 Sep 90 p 11*

[Article by Gallai: "Hungarian-American Entrepreneurial Fund: Three Investments Realized Already"]

[Text] A year ago the U.S. Senate voted to grant \$60 million to Hungary, to form the basic capital of the Hungarian-American Entrepreneurial Fund. In the course of his visit to Hungary, former Deputy Secretary of State John Whitehead reported on three specific investment projects.

The largest amount of \$500,000 served to help the establishment of an electronic equipment sales network. Thus, at last, the two Hungarian partners, the Computer Technology and Management Organizing Enterprise [SZUV] and the Computer Technology Coordinating Institute [SZKI] may begin building a \$3.3 million enterprise. Although in this instance support is not really given to private enterprise, it appears that in evaluating the applications the Americans considered primarily the business background of the professionals taking part in the enterprise. And since in Donsphere Inc., which operates as a joint venture, also the managers are owners, it may be said of this form of venture that it indeed has a private character.

But from the standpoint of the Hungarian economy two investments of a producer character appear as more promising. A \$300,000 grant by the Fund will implement an investment as a result of which honey capable of satisfying Western and mainly American market expectations will be produced. And perhaps most interesting is the \$1.1 million enterprise for which the Fund allocated \$200,000. Its purpose is to produce and sell phonograph records of wellknown Hungarian musicians which may be sold abroad. Jenő Bors, the not too long ago relieved president of the Hungarian Phonograph Enterprise will be the head of Quint Records.

To date some 4,000 applications were received by the Hungarian-American Entrepreneurial Fund. They are being evaluated consistent with the stringent investment criteria published in FIGYELO No 35. And although most of the investments call for a few hundred thousands of dollars investment, the amount of \$5 million now available to the fund—this is how much there was appropriated—appears to have found enough investment projects. The good news is that as of 1 October, the start of the U.S. fiscal year, this year's appropriation of the three-year investment period will arrive soon. Moreover, there are prospects for additional funds.

According to plans, during the fiscal year beginning in October the U.S. Government is considering an additional \$110 million investment to stimulate enterprise in Hungary and in Poland. Congressional approval is

required before the proposal may be turned into money. The outcome of this proposal may be influenced by slowing economic growth in the U.S., and by the significant budgetary deficit.

**Austrian Investment Firm Promotes Hong Kong Settlement***91CH0045D Budapest NEPSZABADSAG in Hungarian  
22 Sep 90 p 5*

[Article by Peter Uj: "Twenty Thousand Hong Kong Families To Settle in Hungary?"]

[Text] The Wawel Investment group will begin negotiations with the government concerning the settlement of 20,000 Hong Kong families in Hungary, it was announced at a press conference of the Lenia-Wawel Austro-Hungarian corporation [Kft]. The occasion for the press briefing was provided by the fact that the Kft opened its second Hungarian small department store yesterday in Eger, and also because the Kft established another Kft called "Vision 2000" to introduce cable television to Miskolc.

Lenia-Wawel managing director Gabor Nikhazy said that the Hong Kong office of the Wawel Group, and the firm's Austrian owner of Yugoslavian origin Aleksandar Bustrovic conducted negotiations with the highest business circles of the Far East city, and agreed to convey their proposal to the Hungarian government. This is why Eddy T. K. Chan, the Wawel director for Asia arrived in Hungary. They have a specific proposal to make. In it they request the government to assign an area in which they may start the construction of an industrial plant while enjoying tax benefits, under a government guarantee. About 20,000 Far Eastern families would be needed to manufacture Hungarian-Hong Kong peak technologies. These families would enter into entrepreneurial ventures and would invest in Hungary, and would also introduce the famed Hong Kong work culture. Nikhazy was cautious in responding to the question of how much capital these people will invest: "Among them there are 2,000 businessmen who have not only one or two million dollars in assets. The capital brought in could cover a large part of Hungary's total indebtedness."

Chan said that he was interested in Hungary because in this region Hungary came closest to joining the European Community, and thus Hong Kong capitalists could also enter the European market where they were always welcome. The Soviet market is of particular significance to them, from this standpoint it would be advantageous to establish a background industry base in Hungary.

Two areas are regarded as truly suitable for establishing the Hong Kong plant: Csepel Island and Obuda. In order to permit the settlement, however, the parliament would have to amend three laws. The law concerning citizenship, the law on business companies, and the banking law, and further, visa requirements between Hungary and Hong Kong would have to be lifted. Wawel also

initiated negotiations with the various parties because a parliamentary decision is required for the establishment of all the conditions for settlement. They are not providing information in this regard for the time being.

Nikhazy stressed that in the event that no substantive progress is made in the negotiations which start next week, they will no longer be interested in dealing with this matter. All this represents business to Wawel capitalists, and they have no time to waste.

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Having filed a report about the news conference, we have every reason to receive the contents of the report with cautious skepticism. Hungarian journalists told Hong Kong officials visiting in Hungary about the possible mass relocation of Hong Kong residents. The Hong Kong officials felt that this was an unlikely scenario: those wishing to resettle chose primarily English-speaking countries. In light of this, the "20,000 Hong Kong families" appear as a telephone number, just as the surprising statement appears, according to which the capital to be brought in may cover a large part of Hungary's indebtedness. It is not that simple.

### **Economic Program Critique: No Coherent Concept**

#### **Highlights of Program**

91CH0042A Budapest NEPSZABADSAG in Hungarian  
26 Sep 90 pp 1, 5

[Unattributed report: "Three-Year Government Program"]

[Text] The Cabinet released its three-year economic program yesterday afternoon. Contrary to earlier reports, the program's name was not changed: The booklet consisting of some 230 pages is entitled "The Program for National Renewal." The comprehensive action program enumerates the various spheres of the economy and society, but we could not find an item by item indication of the expected growth of the gross national product, future percentage changes in the inflation rate, or in anticipated unemployment levels. A few of the promised measures may convey the idea of what the government is planning to do in the coming three years.

To enhance privatization and to stimulate entrepreneurship, the Cabinet submitted to the National Assembly a law concerning the privatization of retail trade, the catering industry, and of service provisions.

The Cabinet is in the process of preparing, and will implement several privatization packages with the involvement of the State Property Agency.

The Cabinet will:

—submit this fall to the National Assembly a law concerning privatization procedures;

- take action to enable the Small Business ["Existence"] Fund to begin its operations this year;
- take firm steps to catalyze as soon as possible credit structures in support of privatization;
- catalyze the so-called employee stock ownership program;
- establish so-called privatization bonds to provide opportunities for citizens to use their savings for the purchase of state property;
- stimulate foreign participation in privatization based on new regulations; and
- implement various changes in the tax system to encourage privatization.

In the interest of modernizing the financial system, the Cabinet will submit this year to the National Assembly a law concerning the state household. The Cabinet will:

- submit a new accounting law to the National Assembly;
- prepare draft legislative proposals during the first half of 1991 for the comprehensive reform of the so-called large distributive subsystems (health care, education, social security, culture, sports);
- prepare and codify the conditions for the introduction of the new amortization system;
- make preparations for the comprehensive modernization of entrepreneurial profit taxes, and draft a legislative proposal in this regard in 1992, to the extent that this may be foreseen;
- implement corrective changes in the entrepreneurial profit tax system in 1991;
- provide guidelines for the long-term development of the personal income tax system;
- implement corrective changes in the personal income tax system in 1991;
- make preparations for the modernization of the general sales tax system to be introduced in 1992, and introduce a legislative proposal to the National Assembly in this regard in 1991 (in conformance with standards observed by the European Economic Community; a dual tax rate system will be proposed);
- submit a legislative proposal in 1990 to the National Assembly concerning the local tax system and tax rate, and in regard to the structure and amount of local government financial resources in the framework of the 1991 budget;
- submit a law to the National Assembly concerning the order of taxation; and, similarly, this fall,
- submit a law to the National Assembly concerning dues payable.

To encourage the evolution of a market economy, and to reduce the redistributive role of the state, the Cabinet intends to radically reduce economic subsidies. In this framework price supports related to household energy consumption, milk and dairy products, and water and sewage services will be discontinued, and so will producer subsidies for mining and the railroads. The amount of agricultural subsidies will be reduced. Enterprise investment subsidies based on branches of industry will be discontinued, as a result of a changeover from the settlement of accounts in rubles to settlement in dollars, food export subsidies will be uniform. This will also undergo efficiency requirements. In 1991 subsidies will undergo radical reductions outside of the housing sector, to the extent of 50 billion forints.

The Cabinet will:

- draft a law governing the central bank, and a law concerning banks and financial institutions;
- submit a new bankruptcy law to the National Assembly;
- establish uniform conditions for the operation of domestic and mixed ownership banks;
- initiate steps to gradually stimulate individual savings; and
- submit to the National Assembly a law encouraging the establishment of new financial institutions (investment companies).

To establish conditions for agricultural policies in the process of renewal, and to improve the capability of the agricultural economy to function, the Cabinet will:

- submit soon to the National Assembly a law concerning the settlement of individual proprietary issues related to arable land;
- submit to the National Assembly a new law governing cooperatives;
- propose new rules of order for the agricultural marketplace; and
- formulate a concept regarding new organizational forms for the sale of agricultural and food industry products, and for decentralizing monopolistic organizations.

To develop the infrastructure in a more circumspect manner which will serve as a foundation for attracting more foreign capital, the Cabinet will gradually submit to the National Assembly legislative proposals concerning the postal service, telecommunications, frequency allocations, the railroads, and shipping on waterways, to be completed by the end of 1991.

The Cabinet will:

- develop a concept concerning the theses of a water protection law, and will submit the same to the National Assembly after codification;

- finalize the three- and 10-year telecommunication development programs, and will prepare three- and 10-year programs for the development of public roads.

To establish a labor market based on the principle of supply and demand, the Cabinet will:

- recreate the Law of Labor;
- prepare a new employment law;
- establish a new, nationwide information system for the labor market (in cooperation with employers and employee interest groups);
- establish and operate forums for collective bargaining at the national level;
- develop a proposal for placing the operation of unemployment assistance funds on insurance principles; and
- develop a new order for occupational safety and for skills training.

### Flaws Pinpointed

91CH0042B Budapest NEPSZABADSAG in Hungarian  
1 Oct 90 p 7

[Article by Alliance of Free Democrats (SZDSZ) representative and Chairman of the National Assembly Economic Committee Karoly Attila Soos: "Scanning the Cabinet Program: The Concept Is Not Bad"—first paragraph is NEPSZABADSAG introduction]

[Text] The Cabinet's three-year economic program was made public last week in the form of a book. Today we continue presenting writings received by our editorial offices relative to the program.

Let us state clearly: A cabinet program is a schedule of actions adopted by a country's parliament as the basis for governing. The Program for National Renewal remains only a plan made public until such time that the parliament approves the program, and thus may hold the cabinet accountable for the program.

Other than that, this quasi program is an actual encyclopedia. At first glance we could say that the country received a cabinet program densely printed on 222 pages. It encompasses the economy, environmental problems, education and research, public welfare, cultural policies, the churches, public management and national security—every aspect of the life of society.

### Exercises in Style

"We will...reorganize the state enterprises," (p. 74), just to give you the flavor of the document's language. In some places the text is incomprehensible: most likely the



final touchup failed to materialize because of time constraints. "Taken as a whole, better opportunities to satisfy consumer needs produce improvements in consumption, regardless of inflation" (p. 30). It is clear that in some places a few words are missing. For example: the privatization bond to be established would not provide an opportunity for citizens to accomplish "tangible real savings in excess of the inflation rate" (p. 37), but would supposedly provide interest rates higher than the inflation rate, and thus would permit savings which produce real interest. The Cabinet drafted a competition law (p. 31) submitted not too long ago to the National Assembly, but once again a word is missing. The word "Nemeth" should have been placed before the word "cabinet."

The program falls surprisingly short, but compared to that, it contains a rather large volume of faulty data. In 1990, real wages are between 14 and 15 percent lower than they were in 1978 (p. 21). This is true. During the past decade real wages declined by 20 percent (p. 39). This contradicts the previous statement and is not supported by available statistical data. "In 1989 individual consumption declined by two percent" (p. 40). This was not known before. Indeed, a decline in individual consumption in Hungary was unknown (since 1952). But the sentence may be interpreted to mean that these 1989 data were unknown thus far, and also this is true. According to data from the Central Statistics Office [KSH], individual domestic consumption declined by 4.2 percent in 1988, while it increased by 0.4 percent in 1989. Based on estimates made by the National Planning Office, national consumption, which includes foreign spending, declined in 1988 by two to three percent, while it increased in 1989 by between two and 2.5 percent according to a KSH report.

For lack of space, we will not search for more little flaws like these. We will take a step forward by making a comprehensive inquisitive statement: To what extent do they take us, the readers, seriously?

Perhaps the most important element in the art of preparing a program is not to view problems as nonexistent, and not to resolve dilemmas only in one direction. The May cabinet program guidelines were justly criticized from this standpoint; this document does not represent progress as compared to the earlier program guidelines.

Let us take a look for example at our gravest socioeconomic problem: the restriction of individual consumption, and variations of that. This kind of consumption cannot be increased in the near future, moreover, in the short term it must be reduced because of the debt service, changes in CEMA trade and the increase in the world market prices of oil. Can this be achieved in a painless manner? One could say yes, if viewed in the abstract. A significant increase in voluntary individual savings, if we could count on that, could render constraining measures (price increases, maintenance of high level taxes), avoidable. In this regard the program states that soon, savings "may reach, and even exceed" the levels achieved "in certain countries in the West" (p. 37).

We could regard the familiar terms "reach, and even exceed" as meaningless, because savings levels differ greatly in the various countries of the West. Nevertheless this statement sounds overly optimistic, and disregards the actual problem: the fact that in Hungary one certainly cannot count on a significant increase in savings in the near future. The economic theory related to savings has been developed to such extent that even a Nobel prize was awarded in this field (to American professor Franco Modigliani). We have no reason not to give credence to this theory supported by international comparison. It holds that rapid economic growth and a favorable age composition of the populace (a high ratio of young age brackets) are the chief factors which induce savings, that is, conditions which will not exist in Hungary in the near future.

Savings may be stimulated of course to a certain extent by increasing interest rates and by establishing favorable investment opportunities. In several places, the program projects increased rates of interest to be earned by savers. This, however, presents a dilemma, and in certain places the program resolves this dilemma in favor of the other side—the recipients of credits. In reading pp. 18 and 44 we learn that credit is expensive. In other words, interest rates are not only too low; at the same time they also are too high.

#### Privatization, Budget

The program underscores that the external balance of payments must be improved. In market economies this means a small or large scale devaluation of foreign exchange. But this also represents a dilemma, and the other side also emerges in this regard. On p. 46 we read that the forint is undervalued. Should the forint be appreciated perhaps? The program does not get this far, but the idea of fretting devaluation appears: "pricing policies which harness inflation and enhance the stability of the forint" must be pursued (p. 47).

Let us note here: a pricing policy of this kind will harness inflation only if imports flow freely. (The program promises to accomplish this.) The freedom of imports is one of the most important elements of convertibility, meaning that the convertibility of the forint is a means to fight inflation. On the other hand, one of the chief conditions for convertibility is the harnessing of inflation, so the program states (p. 2). Meanwhile the argument goes round and round.

Insofar as the establishment of convertibility is concerned, we now hear perhaps the last, credible word after throwing around dates brought forward ever since last spring: The deadline for convertibility is at the end of the program period: in three years. By then "the convertibility of the forint current account" must be achieved (p. 48). This new, thus far unknown professional term is obviously a literal translation of the English "current account convertibility," and means the items of the current balance of payments (mercantile imports and service imports, including foreign travel). At last, those

in charge recognized the fact that it will suffice to accomplish only this much (and our obligation toward the International Monetary Fund also amounts to only this much). Full convertibility—a matter only a few countries in the world are able to pride themselves on—will not be possible for a long time to come.

The main tasks of the Cabinet are the introduction of measures which ensure that a change in the system takes place, and the distribution of (mainly budgeted) resources which may be dispersed centrally, (and the submission of proposals to the parliament). What does the program have to say about these tasks?

The scanty detail provided in regard to privatization, the primary means by which the systems change may be implemented, is shocking, as compared to the tremendous significance of this matter also recognized by the Cabinet. Only a few paragraphs of the length of a rabbit's tail deal with the methods of privatization; only a few general statements deal with the pace of privatization. Compared to certain earlier declarations these appear as rather modest (in the course of three years, between 30 and 35 percent of entrepreneurial assets should become private property, between 20 and 25 enterprises will be sold every three or four months in response to central initiative). What fields enjoy priority? What alternatives, what initiatives will exist within the employee stockholder program? What will be the subject of the privatization law to be approved this year? There is no answer to all these and many other questions. Aside from a few incomplete ideas the program does not represent progress as compared to the cabinet program publicized last spring. At the same time, however, the patience of potential foreign and domestic investors is running out.

### Conflicting Answers

The other key issue pertains to the distribution of budgeted resources, the issues of what to develop, what to fund and what not to fund, issues which may be characterized in 1991 and in subsequent years as "which finger of ours should we bite off?" Government programs of previous years provided a dual answer to these issues: a general response—let's bite off all of our fingers!; and a detailed one—let's not bite off any of our fingers!

The present cabinet program provides the same dual response. Main budgeted items may increase at a rate slower than the inflation rate (p. 42), and stringent budgetary (and monetary) policies are unavoidable. At the same time, energy saving investments are "very important" (p. 64), and so are the infrastructure in regard to which a "forceful and balanced development program" will be initiated in 1991 (p. 73), the qualitative change in coal mining (p. 62), the support for the development of automobile manufacturing (p. 63), and technological development (p. 62). The World Exposition will be realized, instead of a minimum program presumably limited to Budapest, as that was perceived last spring, "it is possible" to have an Expo that retains

the populace of the countryside (p. 76). Would it not be more accurate to say that this is what is needed, but it is not possible? Aside from all this they will restore schools discontinued as a result of districting; in terms of research conducted at universities the role of outside commissioned work, which is slowly becoming a primary source for making a living, will decrease—that is, state-financed research will increase; health care, employment and social rehabilitation programs will be started for those who start with a disadvantage, etc., etc. National defense is also very important; along with this, in regard to national defense, the program underscores the significance of increasing openness. Thus perhaps I may mention something that took place contrary to the wishes of the Cabinet but which has been publicized already: as presently planned, next year's budget projects an increase from 40 billion forints to 77 billion forints in expenditures for such purposes.

The Cabinet achieved its purpose if, by publishing this program, its goal was to show voters a thick, seemingly serious document just before the local elections. This program, however, does not provide any kind of guidance in regard to how this country may recover from its present grave crisis. The program concept is not bad, but the program is characterized by the fact that it is devoid of a concept and that it lacks an elementary, internal harmony.

### Continued Economic Decline Predicted

91CH0044A Budapest FIGYELO in Hungarian  
27 Sep 90 p 6

[Article by Central Statistics Office (KSH) division director Margit Kollanyi: "Down The Hill: What Do We Hold On To?"—first paragraph is FIGYELO introduction]

[Text] Not too long ago, in a television talk show, Minister of International Economic Relations Bela Kadar discussed the chances of a recession. In this article, a Central Statistics Office [KSH] Division Director tries to prove that decline is a fait accompli.

A peculiar contradiction evolved in the Hungarian economy between growth and the external balance. The immediate result of accelerating economic growth was a deterioration of the external economic balance, regardless of whether the acceleration took place in response to, or independently from, governmental efforts. The following two factors serve as the main explanations for this correlation. First: at the time the economy began to gain strength, demand for materials and parts available in exchange for convertible currencies, expanded faster than production itself. Second: while the specific import requirements of production increased, increased production was not accompanied by an increase in the production of goods which could be sold in capitalist markets that was large enough to establish the foreign trade balance at a higher level of production.

Production always received its charge from more vigorous domestic demand (consumption and accumulation), and this was always accompanied by a deterioration of the external economic balance. The government consistently responded to this deterioration by constraining domestic demand. Obviously, these measures once again resulted in the slowing down of economic growth. Accumulation by itself declined first in response to these measures. It was followed by individual consumption, once the decline in accumulation was insufficient to restore the balance, or at least to slow down the growth rate of indebtedness. Growth slowed down at first, then it stopped, and in 1988, for the first time in decades, a decline followed. These processes determine, or rather are the determining causes that appear on the surface of the cyclical development of the Hungarian economy, and at the same time of our growing indebtedness.

### Cycles

The latest growth cycle of 1986 began in the usual manner as a result of invigorating domestic utilization, and peaked in 1987 (with a 4.1-percent growth in the Gross Domestic Product [GDP]). In the course of two years (1986 and 1987) investments increased by 17 percent, and individual consumption by 6 percent. The price to be paid for this increase was a net increase of indebtedness in convertible currencies by \$2.7 billion in 1986, and by \$2.9 billion in 1987. The total indebtedness multiplied in the course of two years by 1.7. The fact that, in both years, the deterioration of the balance that resulted from invigorating the economy, was accompanied by significant losses (resulting from convertible currency exchange rate changes on a mutually comparative basis), is part of the total picture.

The far most drastic intervention to date took place in 1988 to halt growing indebtedness. The GDP growth rate dropped from the previous year's 4.1 percent to zero. Investments declined by 9 percent, and for the first time since 1952 individual consumption declined (1988 consumption declined by 4.2 percent). Economic stagnation continued in 1989 (the GDP declined by 0.2 percent). The two big items in domestic utilization—consumption and accumulation—remained essentially at the previous level. During the first half of this year stagnation changed to a steep decline, as signalled by a 7-percent decline in industrial production. The reasons for this decline changed since the second half of 1989. While previously constrained domestic demand was the determining factor in the downward slope of the cycle, in 1989 the same role was played by exports subject to settlement in rubles.

Declining export destined for socialist countries is not a new phenomenon. A continuous shift in ratios to the detriment of CEMA countries and in favor of more developed countries could be clearly observed in recent years. This process gained strength in 1989. Halfway through the decade, a 50-50 ratio was characteristic, but this ratio changed to 40-60 by 1989. During the first half

of this year, exports subject to settlement in rubles amounted to only 30 percent of all exports.

### Shock Effects

At comparable prices, during the first six months, imports accounted for in rubles dropped by 19 percent, as compared to the already low level of imports in 1989. This demanded a 31-percent reduction in the export volume. These changes are of such magnitude that they shock and disorganize the economy, particularly if we consider the ripple effects of the missing exports. Within exports subject to settlement in rubles, the ratio of machine industry and light industry products is high. In the context of these products, due to their higher state of processing, the multiplier effect is stronger, and the final product which could not be sold, brought supplier enterprises into difficult situations.

The extent of changes may be characterized by the export data of a few machine industry products. During the first half of 1990, as compared to the same period of the previous year, the exportation of Diesel motors for public road vehicles declined by 75 percent. The decline is the same in regard to medical X-ray machines and portal cranes. Only 60 percent of the previous year's volume of buses and lathe machines was exported. We find similar data not only in the machine industry, but also in the light industry. To mention just one example: The exportation of textiles made of wool declined by 40 percent, women's apparel exports dropped by half.

The volume of exports subject to settlement in convertible currencies increased by 4.5 percent in 1989. This represents a good medium growth rate. But the composition of goods exported did not change in the desirable direction. The already unfavorable 1989 ratio of machines, machinery equipment and consumer goods which represent a higher level of processing declined further. During the first half of 1990, some favorable changes took place which are difficult to explain. Total exports increased by 15 percent, and within that, the most dynamic growth may be observed in the category which was damned previously: machinery and vehicle exports increased by 27 percent in volume. We must recognize, of course, that within all exports the ratio after the increase still amounts to only 11 percent.

Last year the foreign trade balance was positive in both the ruble and the convertible currency relationships. In the ruble relationship the 22.6 billion forint surplus increased the total amount of our frozen accounts receivable. In the framework of convertible currency settlements one may regard the positive foreign trade balance despite a (partial) liberalization of imports as an economic policy achievement. Exchange rates improved in both relations. Within trade subject to settlement in rubles, the balance was essentially restored thus far in 1990, even though at a very low level. Improvements continued in the framework of trade subject to settlement in convertible currencies.

In summary: the 1989 decline in exports subject to settlement in rubles, and the expansion of exports payable for in convertible currencies, jointly produced the stagnation of our total exports. The economy was unable to break out of its stagflation condition because domestic demand did not change. The narrowing of the market in which transactions are settled in rubles, had assumed dramatic proportions by the first half of 1990. Collapse of the CEMA market was accompanied by more acute solvency tensions, and projects a series of bankrupt enterprises and a rapid increase in unemployment.

### Stagflation

During the past two years the rate of increase in consumer goods prices accelerated faster: In 1988 they rose by 15.5 percent, while in 1989 the increase represented 17 percent. This process did not stop during the first half of 1990. As compared to the same period of the previous year we recorded a 26 percent price increase between January and June 1990. Among the factors which cause price increases, the effects of inflationary expectations gained strength. Business organizations include in advance in their calculations the expected price increases of production factors they anticipate to use, and thus inflation increasingly becomes a self-induced process.

To compensate for price increases, nominal wages began to increase at an accelerating rate, and with that wage payments themselves. Within the material branches (gross) wages increased by 19 percent in 1989. In the nonmaterial branches where the ratio of institutions funded by the state budget is high, wage increases amounted to between 14 and 16 percent.

Along with increased labor costs the rest of the production factors (materials and energy costs) also became more expensive. Tax revenues also increased. Businesses conveyed the increased costs in the prices they charged to their customers, moreover, price increases provided a significant amount of excess profits.

Year after year, business organizations averted the consequences of stagnating production and of low efficiency by increasing prices. This process accelerated inflation. Coupled with stagnating production, inflation resulted in a peculiar condition of stagflation. During the first half of 1990 decline in production assumed proportions which could no longer be compensated by price increases in a significant part of business organizations. The amount of profits declined in a majority of the branches. The seriousness of the situation may be characterized by the fact that during the first half of the year, the machine industry taken as a whole recorded a loss.

During the decade of the 1980's, and particularly during the second half of that decade a number of steps were taken which enhanced the operation of a market economy. These include the new taxation system, the establishment of a bilevel banking system, gradual liberalization, etc. These measures did not produce significant results however. They could not have produced results in such a short period of time. The government

failed to take the risk of radically liquidating low efficiency production, and this resulted in the protracted state of stagflation. The primary risk to be taken would have been unemployment and a further deterioration of the standard of living.

The economy manifests a few phenomena which may be regarded as the initial signs of recovery from the crisis situation. These include the increased prevalence of foreign trade subject to settlement in convertible currencies, and the active balance of such trade as was maintained despite gradual import liberalization. Shrinking CEMA trade produced an economic constraint which may accelerate the change in production structure. Changes in business forms appear as promising from the standpoint of the market economy gaining strength. But these changes are not strong enough, and in certain places they are conditional. Thus based on the actual data of the first half of the year, and on projections for the second half the Hungarian economy does not yet have anything to cling to on its downward path.

### Government Documents on Privatization, Indebtedness

#### Financing Privatization

90CH0447A Budapest FIGYELO in Hungarian  
30 Aug 90 p 23

["Text" of Part 2 of government report "Property Reform and Privatization"]

[Text] Privatization's basic financial principle is that the proceeds from privatization must be linked to the reduction of public debt. It is expedient to use for this purpose the proportion of the proceeds equal to the ratio of public debt to state assets.

Quick privatization on a large scale requires credit on favorable terms, as a special source of financing—without the guarantees encumbering private property—for the entrepreneur who buys state assets. Parallel with the commencement of privatization as of 1 September, the government will announce the availability of "privatization loans" as a new source of financing. If the entrepreneur has resources of his own equal to 25 percent of the total amount required, the privatization loan as a source of financing is unlimited, in terms both of amount and availability.

The Startup Fund, formed with German and Hungarian capital and managed by the Small Business Office, will be providing privatization loans mostly for small private startup businesses. (See our detailed article on this in FIGYELO, No. 33/1990.)

With the commencement of privatization, the government will introduce a new privatization bond that will enable citizens not only to keep pace with inflation but also to earn real interest at a rate substantially higher than the rate of inflation. The privatization bond is a security that can be used solely to purchase state assets

when they are being privatized, and the bond must be used for that purpose within five years from the date of its purchase. The variable interest on the bond's face value will be 10 percentage points higher than the annual rate of inflation.

The state will use its budgetary revenue from the sale of privatization bonds partially to reduce the public debt, and partially to replenish the Startup Fund, i.e., to stimulate entrepreneurship.

During its first months in office, the government conducted detailed talks with foreign governments and financial institutions. The aid and credits they offered total over 2.0 billion dollars. For instance, a credit limit of DM500 million from West Germany, a credit limit of Fr2.0 billion from France, and the Phare Program. The conditions attached to them vary but, without exception, they all may be used to stimulate entrepreneurship and to finance privatization.

As of 1 January 1991, the government will be making significant changes in its financial and fiscal systems. To the system of financial institutions there will be added new banks and companies—with the founding of investment-trust and venture-capital companies and investment banks—that make long-term capital investments from the personal savings placed at their disposal.

Over and above the general stimulation of investment, there must be also preferential tax treatment of privatization so as to encourage Hungarians to save more, and to invest their savings primarily in domestic businesses engaged in commodity production. Proceeding from this principle, therefore, the new tax system as of 1 January 1991 will allow a private individual or entrepreneur to deduct from his taxable income, without any income limit, the purchase price of a state asset (stock in a corporation, a stake in a limited-liability company, or fixed asset) that is being privatized, and to carry over the unused portion of the deduction into the following tax year.

To satisfy the principle of social justice, the government will launch an employee stock ownership program. The workers of state enterprises, too, will be able to become shareholders, by buying shares with low-interest loans, or [on an installment plan] at reduced prices. This way the workers will be able to buy all or a part of the shares in their enterprise.

This program will cover primarily those enterprises where the employees' intellectual effort or manual dexterity significantly influences the given enterprise's future profitability. It will be possible to purchase the entire enterprise under the employee stock ownership program only within a limited circle of enterprises (at planning and design, service, and light industry enterprises, for instance). To buy the shares of a given enterprise, the program requires also cash contributions from the employees themselves, because that reinforces their motivation as owners. At those enterprises where the employees cannot buy the entire enterprise, they will

be able to buy, at a reduced price on an installment plan, or with a low-interest loan, 10 to 20 percent of the shares in the given enterprise, after its conversion into a corporation.

The government anticipates that, by the end of the three-year program, the proportion of shareholders within Hungary's population will reach the same level as in Austria or Germany (between five and seven percent), but will not approximate the proportions in Sweden, Great Britain or America (between 20 and 30 percent).

In sum, on the basis of its financial computations, the government estimates that much of the required financial resources will be available already domestically for the rapid implementation of privatization at market prices, during the next three to five years. This will be possible due to the particular fact that specifically privatization can reduce the public debt secured by state assets.

In addition to the domestic sources of financing, there is also direct foreign investment. The approximately 800 million dollars of total foreign investment in Hungary at present represents two percent of the national wealth engaged in commodity production.

According to the analyses conducted, at the middle of 1990 foreign investment funds had about 600 million forints earmarked for immediate investment in Hungary. In addition, we can expect between 1.0 and 1.5 billion dollars a year in direct, equity and portfolio investments. It is realistic to include this amount among the sources of financing privatization in Hungary, if Hungarian policies give preferential treatment to foreign investment and create a secure political and economic climate for it.

In addition to the internal and external sources of financing, also loans, aid and, to a lesser extent, other assistance may help to finance privatization. On this basis, the government believes, it is realistic to expect that the proportion of state-owned business assets will drop during the first half of the 1990's to 40 percent as compared with 90 percent at present; that also the assets temporarily retained in state ownership will be operated entrepreneurially; and that the enterprises permanently retained in state ownership will be managed in a modern manner.

#### Internal National Debt

90CH0447B Budapest FIGYELO in Hungarian  
30 Aug 90 p 23

["Text" of government report "Internal National Debt"]

[Text] Hungary's internal gross national debt at the end of March 1990 totaled 1303 billion forints, practically the same amount as the country's external debt (at the present exchange rate of 65 forints/dollar, the 20 billion dollars of external gross national debt equals approximately 1300 billion forints). This means nothing more

than the fact that the foreign resources drawn into the economy as debt were channeled through the state budget.

When evaluating the internal national debt's total, the following must be taken into consideration:

- The internal national debt is not the entire internal public debt: it excludes the outstanding debts (liabilities) of budgetary organizations and local governments, as well as the separately administered government funds.
- The internal national debt is heterogeneous in its content: it combines elements of debt that are essentially different.

The present internal national debt comprises three different elements:

#### 1. Debt that arose:

a. From borrowing and securities transactions to finance the annual budget deficits and to keep the state budgets continuously solvent (473.2 billion forints, including 442.6 billion forints borrowed from the Hungarian National Bank, and 30.6 billion forints of government bonds and treasury bills outstanding).

b. From borrowing and securities transactions (59.1 billion forints borrowed from the Hungarian National Bank, and 50.1 billion forints of government bonds outstanding) to finance budgetary task outside the annual budgets, on the basis of specific statutory authorization (at the time of the 1968 economic reform's introduction, for instance, to partially supply the enterprises with working capital; to assume certain bad debts—investment, state or development loans, and credits—of the enterprises; and to provide capital for the newly established commercial banks and the reorganized insurance enterprises).

c. From special transactions (7.0 billion forints), namely from securities issued to finance the state's stake in CEMA's financial institutions (the International Bank for Economic Cooperation, and the International Investment Bank) and in certain domestic business associations.

Items a. to c. jointly are the budgetary debt (539.3 billion forints) that directly arose from the performance of state functions.

#### 2. Debt that arose:

a. From government loan guarantees provided directly by the state budget (267.5 billion forints). The loans were discounted by the Hungarian National Bank to finance partially or entirely state development-policy objectives and programs (state loans for centrally decided or enterprise investments; government allocations of capital; and international investment projects, primarily Yam-burg and Bos [Gabcikovo]-Nagymaros).

b. From World Bank loans made directly to the Hungarian state, for the realization of specific investment projects (14.8 billion forints).

The distinction between debt categories 1 and 2 is certainly warranted, for the following reasons:

- The current state budget bears the full burden of debt servicing (payment of interest and part of the principal due) only in the case of budgetary debt.
- The debt arising, respectively, from government loan guarantees and World Bank loans is serviced partially from certain nonbudgetary sources, and only the remainder burdens the current state budget. In the first case, for instance, the nonbudgetary sources of debt servicing are the proceeds from the sale of the products produced with the built capacities (international investment projects); the capital use charge paid by the users (allocations of capital); and the interest and principal payments (state loans). In the second case, such sources are the interest and principal payments made by the domestic beneficiaries of the World Bank loans.

Although they are not a part of the domestic national debt at present, and therefore are not covered by loan guarantees either, there is great pressure on the government to have the state budget assume responsibility for the Housing Fund bonds issued to finance the low-interest home mortgage loans granted individuals before 1989, and also for the commercial bank loans and credits that will not be repaid in the course of the expected liquidation proceeding. Responsibility for such debt may be assumed only with the National Assembly's approval.

#### 3. "Quasi-debt" resulting from the forint's official devaluation.

Such "debt" arises when the government or the central bank decides to devalue the forint, which raises the forint equivalent of the country's foreign-currency debt. In its books the central bank is able to show this rise in the forint equivalent of foreign currency debt only as national debt, because the rise cannot be passed on to other domestic income recipients (businesses or individuals).

This "quasi-debt," shown in the books as nonincurred loss, is essentially a change in the value of assets. Consequently, it is linked only indirectly to the given period's economic and financial processes and is a function of the exchange rate policy at any given time.

#### Foreign Exchange Laws: Keeping Foreign Money Still Violation

91CH0043B Budapest FIGYELO in Hungarian  
27 Sep 90 p 4

[Interview with Finance Ministry Deputy State Secretary Tibor Draskovits by Ivan Wiesel; place and date not given: "Ex Codex"—first paragraph is FIGYELO introduction]

[Text] Foreign exchange rules were sharply criticized in the previous issue of FIGYELO: a jungle of Finance Ministry decrees which contradict the Foreign Exchange Code of Laws now in force characterizes foreign exchange management. We asked Finance Ministry Deputy State Secretary Tibor Draskovits for his views.

[Draskovits] One cannot argue with the fact that there is a philosophical difference and a difference in approach between the Foreign Exchange Code of Laws on the one hand, and lower level legal provisions, primary provisions added by the Finance Ministry, on the other. The Foreign Exchange Code followed the economic policy trend of the early 1970's and prohibits virtually everything, but a decree with the force of law promulgated in 1974 authorizes the Finance Minister and the president of the Hungarian National Bank [MNB] to provide exemptions from under the prohibitions and limitations spelled out in the Foreign Exchange Code. With the passage of time the economic policy concept has fundamentally changed with respect to a great number of issues, and these were not reflected in the law. The changes appeared only in the lower level legal provisions. Consequently, on occasion, the spirit of the Foreign Exchange Code and Finance Ministry measures diametrically contradict each other. The Finance Ministry is in the process of drafting a new foreign exchange law to resolve this dissonant situation. It is hoped that the new law will take force in 1991.

[Wiesel] Under such conditions, what guidelines do courts have in adjudicating criminal offenses involving foreign exchange?

[Draskovits] The Criminal Code of Laws now in force sanctions violations of the prohibitions and limitations presently contained in legal provisions pertaining to foreign exchange. Whenever an authority proceeding in a case examines the criminal character of certain facts, it reviews all the prevailing legal provisions pertaining to foreign exchange, starting with the lower level provisions up to the Foreign Exchange Code. This is not beneficial of course, because it causes much uncertainty in the legal system. And in many instances permissive provisions and prohibitions related to foreign exchange transactions are incomprehensible to citizens. Equally, from the standpoint of legality it is objectionable that the Minister may establish new prohibitions and lift prohibitions spelled out in higher level legal provisions under his own authority. This controversial situation must be changed soon, and this is what we are working on.

[Wiesel] May I request you to judge the following example: A person holds on to \$1,000 in his home. His good neighbor files a complaint, and the police find the dollars. A criminal proceeding is initiated. Had the citizen been wise, he would have taken the foreign exchange instantly to the National Savings Bank [OTP], and deposited it in his account. But the police learned that he purchased the dollars on the black market. What's the situation?

[Draskovits] I am not a judge, and I cannot qualify the situation based on what you said. But I will be pleased to "play around" with this example. Let us assume that the prosecutor is able to prove that the citizen acquired the foreign exchange illegally, and that in a manner contrary to law he kept the foreign exchange at home beyond an eight-day grace period. In this case it would be of no help if the citizen ran to the OTP, because the courts have authority to confiscate these funds, provided that confiscation of the funds is part of the sentence. Nevertheless, of essence is the fact that a criminal act involving foreign exchange be proven, and such proof must be provided by the criminal persecution organs which proceed in the case, or by the prosecutor's office. The account is secret of course, therefore the bank may provide information concerning such account only if so ordered by the court. In and of itself the fact that the funds were deposited to an account cannot play any role under criminal law.

[Wiesel] I noted the fact that you mentioned an eight-day period. Would this mean that a person who legally acquires foreign exchange and does not offer that foreign exchange for sale, or does not deposit these funds in a foreign exchange account will have violated the foreign exchange laws?

[Draskovits] Yes. This legal provision was not changed.

[Wiesel] What is the ratio applicable to individuals by which they may officially exchange foreign exchange, alternatively deposit foreign exchange in a foreign exchange account?

[Draskovits] I do not have data before me concerning the extent to which such funds may be exchanged, but more than \$600 million are on deposit in foreign exchange accounts as of today, and this suggests confidence on the part of the populace. But I am not mistaken if I say that the size of the amount deposited in foreign exchange accounts is substantially larger than the amount exchanged.

[Wiesel] Legal provisions now in force distinguish between two large groups: business organizations and the populace. The "wall" is crumbling between these two groups as privatization is progressing. Is there a possibility that in the near future we introduce a uniform approach in the framework of foreign exchange laws?

[Draskovits] Indeed, the demarcation line between these two spheres is blurred by now, or to be more accurate, while we delineate these two groups within our laws, there are many opportunities for an overlap. And I would think that as privatization progresses, the possibility for this distinction to disappear increases. Therefore, in the future foreign exchange rules must not be categorized in terms of business organizations or private persons, but in a way to indicate whether mercantile trade is tied to a given foreign exchange transaction. This of course requires that we also review and perhaps change headings for accounts in the balance of payments.



### Foreign Investment: Further Liberalization Foreseen

91CH0045A Budapest FIGYELO in Hungarian  
27 Sep 90 p 7

[Interview with Finance Ministry division director Dr. Csaba Repassy by Emilia Sebok; place and date not given: "Lure for Capital"—first paragraph is FIGYELO introduction]

[Text] In early September, MIGA [expansion unknown], the International Investment Insurance Agency held its second conference in Budapest. A large number of foreign and Hungarian professionals took part in the meeting. We asked Finance Ministry Division Chief Dr. Csaba Repassy about the influx of operating capital.

[Sebok] I am becoming somewhat uncertain as to the utility of such conferences if I consider the number of conferences that were held in regard to Hungarian investment opportunities for foreigners, and the fact that no broad stream of operating capital is flowing to Hungary. Using this vantage point, how would you evaluate the MIGA conference?

[Repassy] Quite naturally, even after this conference it is impossible to state an amount as to how much operating capital flowed to Hungary at the conference, or as a direct result of the conference. And yet I dare say that this conference was far more effective than the previous conferences, because the participants were selected. Foreigners applying to attend the conference were screened by MIGA, while the Hungarian participants were selected by the Finance Ministry and by two specialized ministries so that serious business prospects met in Budapest. Equally important is the fact that among the foreigners we could find not only professionals from industrial firms, but investment firms and investment banks were also represented in large numbers. And as long as these firms and banks recognize Hungary as a place worthy of investing, this recognition will also mobilize the producer and trading enterprises within their respective spheres of interest.

[Sebok] This is exactly why I was surprised that foreign investment professionals believed to be well informed inquired several times about a matter I thought had been clarified to them a long time ago.

[Repassy] I am no longer surprised by that. Foreigners repeatedly ask at every international conference whether the Hungarian state truly guarantees the free transfer of profits and the repatriation of capital. This is more important than anything else to a person who has capital, and is still only becoming friendly with the idea of bringing his money here. You cannot make this statement often enough. We try to dispel uncertainty that lurks behind these questions by providing firm and clear-cut answers.

[Sebok] Are government officials indeed capable of providing reassuring answers to these fundamental questions? After all, ideas of changing the basic rules applicable to foreign investors were floated toward the end of the previous government's term of office, and again in these days.

[Repassy] The security of foreign assets and the freedom to remove the profits—the two most important conditions—are not threatened by any contemplated change. Any false rumors could cause great harm to the Hungarian economy by scaring foreigners away.

[Sebok] But some mixed ownership banks and insurance companies were established with government approval. In these the foreign party agreed not to export for some years the profits to which he is entitled, and agreed to invest those profits in Hungary. Wouldn't these cases indicate a certain endeavor on the government's part?

[Repassy] At most these would signal an endeavor that we are trying to reach agreements in the best interest of Hungary. But each agreement, including the establishment of financial institutions you referred to, is entered into freely by each party, following an evaluation of interests and mutual concessions. The latter include the legally sanctioned opportunity by which the Council of Ministers may provide an additional profit tax incentive to financial institutions and to companies engaged in particularly important activities in which foreigners participate. The fact that the government may expect something in exchange for such incentives is obvious, and that something may materialize in given cases in the reinvestment of profits earned. More such agreements, bargains if you will, are likely to be reached in the future.

[Sebok] But rumors are floating around that you intend to reduce the present tax benefits to which companies with foreign participation are entitled.

[Repassy] Nothing has crystallized in this regard, but indeed it is conceivable that the government will propose changes when the law governing enterprise profit taxes is changed.

It is my personal, professional, opinion that foreign investors welcomed in Hungary—i.e., investors willing to pursue activities important from the standpoint of the Hungarian economy—will receive the same tax benefits in the future as they do today.

[Sebok] The idea of having to apply for an official permit to establish a company based on the planned activity, rather than on the basis of the foreign investment share, has been raised already.

[Repassy] A change in this direction is conceivable. But of essence is the fact that regardless of the nature of change, the effect of the change will be by all means more liberal.

In my personal opinion a distinction made on the basis of the kind of activity to pursued is preferable, because it makes little difference if the foreign participatory share



amounts to 50 percent or 51 percent, yet these are the threshold percentages today for granting a permit or for operating without a permit. On the other hand, if in regard to a certain field of endeavor we want to permit the influx of foreign capital for some reason only within a controlled framework, we must control the pursuit of such endeavors by requiring a permit.

[Sebok] Hungarians will probably stay away from such activities. Presumably they take the convertible currency to Vienna, establish a fictitious firm out of that capital, and then that firm invests its capital in Hungary. In reality, the reason for this, and the business consideration in this kind of transaction is not the fact that in this way profits appear in the form of foreign exchange. The real reason is that as a result of tax benefits to which mixed ownership firms are entitled, the profits are greater as if the investment had been made in forints. What is your view of this?

[Repassy] This procedure is by no means legitimate, and I believe that the liberalization of foreign exchange rules will never reach a point on its way toward making the forint convertible where such transactions become legal. These, probably rare and sporadic transactions, must be prevented by strengthening the principle of granting permits based on the type of activities I just mentioned, so that the tax rules for purely domestic and mixed ownership enterprises approach each other on this basis. The final solution for this, and for quite a few other odd phenomena will be the full convertibility of the forint.

[Sebok] And if we reach the point that we offer the best terms we can to foreign investors, will there be more investors and more money than we saw thus far?

[Repassy] In my view Hungarian conditions for receiving foreign capital are truly liberal, and possible small changes that may be expected in the near future will represent further liberalization. We cannot foster excessive hopes under any circumstances however, because we must consider the proportions and the developmental level of the Hungarian economy. Nevertheless one may realistically count on more capital than today, and on the steady growth of capital influx.

#### **Telecommunications Contract Signed by Previous Regime Canceled**

91CH0045B Budapest *MAGYAR NEMZET*  
in Hungarian 25 Sep 90 p 4

[National news service report "The Ministry of Transportation, Communication, and Waterways (KHVM) on Radiotelephones: Let There Be Competition" and commentary by (b.j.)]

[Text]

#### **[Official Statement]**

The KHVM considers as necessary to make public the following information concerning the licensing of the establishment of radiotelephone systems:

Andras Derzsi, the previous head of this Ministry signed a licensing agreement on 19 May 1990 with the Hungaria-Telecom Company concerning the establishment of, and service provision by a radio telephone network operating on the 900 Mhz frequency. A committee of experts established on the basis of an order by new minister Csaba Siklos, including outside experts, regards the agreement as invalid, because at the time the agreement was signed Hungaria-Telecom Company did not meet the legal requirements in force to permit provision of such services. Accordingly, no valid agreement was consummated. The company does not have, and never had a frequency allocation, while the validity of the agreement was conditioned on having a frequency allocation. The new minister informed the president of Hungaria-Telecom of all this in a letter dated 22 August 1990.

The KHVM intends to announce an open, international tender invitation for the establishment and operation of a radiotelephone system, to operate on the 900 Mhz frequency. The Ministry expects to receive an offer from Hungaria-Telecom, and from the joint enterprise established by Hungaria-Telecom. The tender invitation will be announced in October 1990, after the Minister reaches a decision concerning the utilization of the frequency band. It is the Ministry's intent not to permit the evolution of a new monopoly in the field of radiotelephony, and intends to do away with such monopoly so that this type of telecommunication service be provided by several competing firms.

#### **[Commentary]**

Yesterday afternoon a broadly based professional symposium concerning radiotelephony was held at the House of Science and Technology. Deputy State Secretary Bela Doros was present at the forum. Based on a brief discussion with Doros, the following may be added to the statement related to Hungaria-Telecom. By increasing its basic capital, and by virtue of the fact that the state share of ownership exceeds 50 percent, and as a result of the fact that the Telecommunication Enterprise joined the Company and that consequently the Company now has a member entitled to provide such services, the Company did not acquire a permit to render such services, it only made itself eligible to take part in the competitive bidding.

From a legal standpoint, Telecom is now in the same situation as Radiotelefon, Limited was last December. Radiotelefon, Limited was established by the postal service. In theory, also Telecom would be eligible to obtain a permit for service provision if it acquired a valid frequency allocation. But frequency allocations are no longer made without competitive bidding. In other words, what Radiotelefon, Limited could do late last year, Telecom cannot do this year. The official communique holds that one of the reasons for this is to prevent the evolution of another monopoly in the field of radiotelephony, and to liquidate the existing monopoly. The

blemish on this whole matter is the fact that the establishment of Radiotelefon, Limited, which today enjoys a monopoly, was not all that consistent with rules either, and beyond that, competition would become real competition only if Radiotelefon, Limited would also have to

enter its bid. Otherwise this entire matter will be akin to a race in which one of the runners is granted by the organizers an advantage of a magnitude which the rest of the runners—not only Telecom!—could not make up even if assisted by a rocket....

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